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Friday May 29 1998

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Comment, page 12

On the nuclear precipice

Pakistan's bomb tests provoke fury and sanctions

Ian Black in London and Richard Galpin in Islamabad

THE appalling prospect of a nuclear confrontation in one of the world's most volatile regions drew closer last night after Pakistan matched India with nuclear tests designed to show its neighbour and arch-rival that it too could produce and deliver a bomb.

Pakistan's move brought immediate sanctions and international condemnation at the undermining of faltering efforts to limit the spread of nuclear weapons.

Hours after the detonation of five nuclear devices, Pakistan's president, Rafiq Tarar, declared a state of emergency, citing a "threat by the external aggression to the security of Pakistan". The aggressor was not identified but Pakistan had earlier accused India of threatening to attack its nuclear installations.

The "successful" underground tests brought Pakistan into direct nuclear stand-off with India but without any of the safeguards and agreements that mitigated the worst dangers of the US-Soviet confrontation.

"We have settled the account of the nuclear blasts by India," the Pakistani prime minister, Nawaz Sharif, said.



In a televised address to the nation, referring to New Delhi's tests two weeks ago, Jubilant Pakistanis greeted the news by dancing and embracing in the streets and firing guns in the air.

In Washington, a grim-faced President Bill Clinton announced that the US was imposing new economic sanctions against Pakistan for ignoring pleas — including a personal one to Mr Sharif late on Wednesday night — to refrain from testing.

"I cannot believe we are about to start the 21st century by having the Indian subcontinent repeat the worst mistakes of the 20th century when we know it is not necessary to peace, to security, to prosperity, to national greatness or national fulfilment," Mr Clinton said.

But the US and the four other "official" nuclear powers — Russia, China, Britain and France — were blamed for failing to meet responsibilities under the nuclear non-proliferation treaty by cutting their own arsenals since the cold war ended.

"There needs to be a strategic global response to proliferation," said Dan Plesch of the British-American Security Information Council. "You can't just deal with it regionally. This is not just a tactical problem containable to two countries."

New Delhi reacted calmly to the news from Islamabad. "India is ready to meet any challenge," the prime minister, Atal Behari Vajpayee, said after meeting advisers.

And minutes after Mr Sharif offered to resume deadlocked peace talks with India, a senior Indian official said: "If they make an offer it will not be spurned."

There were also warnings that relations on the subcontinent are less stable than the old US-Soviet ties. "This replicates the possibilities for disaster that were enmeshed in the cold war confrontation," said Sean Howard, editor of Disarmament Diplomacy.

"There are constant border skirmishes. Kashmir is a powder keg and public opinion on both sides is very volatile. This has the potential for unimaginable horror at the end of the line. Millions of lives could slip away very quickly."

Such fears were dramatically illustrated earlier yesterday after Pakistan hauled New Delhi's high commissioner out of bed in Islamabad for a midnight dressing-down, saying it had received "credible information" of an Indian plan to attack its nuclear installations and warning that such an act would be met with "swift and massive retaliation". India denied the charge as "malicious and completely baseless".

Experts warned that both sides had shown hair-trigger reflexes that could quickly put them on a collision course again, notably over Kashmir. "I don't think they are up to the task of preventing a conventional conflict from accidentally slipping into a nuclear exchange," said David Albright of the Washington-based Institute for Science and International Security.

China expressed deep regret that its ally Pakistan had conducted the tests and said it felt uneasy about the nuclear race in South Asia. Japan said it was considering stiff sanctions. Australia was the first to take active punitive measures.

In London, the Foreign Secretary, Robin Cook, said the European Union would discuss whether to take the same action against trade and credit against Pakistan as it applied against India.

Officials in Washington confirmed the immediate cessation of US economic aid worth \$6 million (\$3.7 million) and said the US would press for the suspension of World Bank and International Monetary Fund loans worth \$1.5 billion (\$926 million).

Pakistan's economy is already on the verge of collapse, with foreign debts amounting to more than \$20 billion (\$13.5 billion) and a current account deficit of at least \$4 billion. It has been dependent on foreign aid to prevent it from defaulting on its loans.

No details were given about the size and type of devices tested. But the government indicated that nuclear warheads were already being adapted to fit its new long-range missile, the Ghauri, which have the range to hit most targets in India.

This development raises the danger of a nuclear scramble among others in the region, including neighbouring Iran.

Shockwaves echo around the world, page 3; Tariq Ali, page 12; Leader comment, page 13



Activists in Lahore burn an Indian flag to celebrate Pakistan's announcement yesterday that it had carried out five nuclear bomb tests to match India's

'We will have difficulties, but if you have the strength there is no way we can fail'

Nawaz Sharif, Pakistan's prime minister

'They have vindicated our policy. India is ready to meet any challenge'

Atal Behari Vajpayee, India's prime minister

'I cannot believe we are about to start the 21st century by having the Indian subcontinent repeat the worst mistakes of the 20th century'

US president Bill Clinton



Girl, 15, was heart 'nurse'

Hospital denies nepotism and sacks 'under-age' part-timer

Stewart Miller

A SCOTTISH hospital provoked widespread astonishment yesterday when it emerged that a 15-year-old schoolgirl had been employed to perform heart monitoring duties.

Perth Royal Infirmary trained the girl, who worked for three hours each weekend in the cardiovascular unit, to operate an electrocardiograph monitor. Her duties involved going into wards to take readings for doctors by attaching electrodes to patients' chests, wrists and ankles.

To add to the anger of health unions, it emerged that the girl was the daughter of a consultant's secretary at the hospital. Jim Devine, Union's senior regional officer, said: "This girl has been

placed in a potentially horrendous situation. Quite apart from the fact that it smacks of nepotism, this is a specialised field of care and for the hospital to claim otherwise is an insult to all its staff in the cardiac unit."

Senior staff at the Perth and Kinross NHS Trust initially defended the appointment, arguing that they had confidence in the girl's ability to do the job.

William Gray, the trust's director, said: "The duties involved would be an inappropriate use of skilled nursing or medical staff, and the employment of someone else to do this work means that doctors and nurses are freed to undertake more appropriate clinical duties."

But last night, amid mounting criticism, the trust was forced to climb down and the girl was dismissed.

Dr Gray said: "We must stress that there is no question about the girl's competence, nor have we broken any legal rules or clinical guidelines. It is a matter of public perception. The girl was only allowed in the ward under the supervision of the senior technician and there were no complaints from patients. But we recognise the sensitive nature of this issue and what it could do to patient confidence so we have decided to stop this practice."

He denied the hospital had also been guilty of nepotism. "We could never advertise a position such as this which only involved three hours a week." The girl's age had come to the attention of the trust only last Thursday, he added.

The trust's U-turn failed to placate health unions, which have written to Sam Galbraith, the Scottish health minister, urging him to call an inquiry.

They point out that student nurses and nursing assistants

are not allowed to practise under the age of 17½ in recognition of the emotional maturity required for such roles.

"This is an extraordinary situation and one which I have never come across before in my 15 years as a union official in the health service," said Mr Devine. "A 15-year-old may not be emotionally mature enough or have the experience to operate effectively in that type of environment." He wanted action to make sure it never happened again.

Although the revelation drew a stern response from the Scottish Office, an inquiry has already been ruled out.

"While we are assured that there was no breach of employment requirements for schoolchildren, we cannot condone the involvement of such young people in patient-related duties," a spokesman said. "We are glad to see that the trust has reaffirmed that such duties will not be undertaken in this way in the future."

MEPs snub Blair on EU leadership

Martin Walker in Brussels

THE European parliament delivered an unprecedented snub to Britain and the Blair government yesterday, voting down a resolution which congratulated the UK presidency for its stewardship of the European Union Council of Ministers and its preparations for next month's Cardiff summit.

The defeat was a shock because Labour MEPs are the biggest single group in the 626-seat parliament, and its allies on the left and in the Greens usually mount a comfortable majority.

But resentment over the way the UK presidency mishandled the launch of the euro and the row over the new European central bank, along with widespread suspicion of its "manipulative" spin-doctor tactics, led to the defeat.



Robin Cook: 'feeble'

Leading the attack Tory Euro-leader Edward McMillan Scott lashed out at Tony Blair's "Robin Reilly" EU leadership, calling it "under-powered and running on three wheels".

The defeat was a particular blow to Robin Cook, the Foreign Secretary, who was

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Landmark ruling

Child porn verdict stuns Net lawyers

Judge finds service provider executive guilty on 13 counts

Ian Traynor in Bonn

IN A landmark verdict that stunned lawyers, experts, and multi-media businesses, a Munich court yesterday convicted a former executive of an online service provider for aiding and abetting the spread of child pornography.

The two-year suspended sentence handed down to Felix Somn, the former head of the CompuServe online service in Germany, was believed to be the first time anywhere in the world that a representative of a firm providing access to the Internet had been criminalised because of the content of the material available in cyberspace.

The judge found Somn

guilty on 13 counts of helping to peddle child and animal pornography despite arguments from both the defence and the prosecution for an acquittal, and despite new multi-media legislation in Germany last year which all but absolves Internet access providers of responsibility for criminally offensive material on the Internet.

In the case it mounted against Somn, the Bavarian state prosecutors argued that the Swiss national had knowingly facilitated the spread of child and animal pornography in newsgroups on the world wide web to which CompuServe subscribers have access.

But late in the case, the prosecution called for an acquittal, revising its views and agreeing with the defence

that Somn could not have been expected to control the content of the huge volume of material on the web.

The Bavarian case, which followed from police raids on CompuServe's Munich offices in 1996, was closely watched by German and international experts since it is thought to be the first criminal trial relating to censorship, regulation, and control of cyberspace.

Germany's biggest online service, Deutsche Telekom's T-Online, described the verdict as a "huge surprise", while Bonn officials dealing with privacy and censorship regulations dubbed the conviction "irritating".

But the presiding judge, Wilhelm Hubert, ruled that Somn had "abused the medium".

After the 1996 raids CompuServe threatened to quit Germany altogether. Somn then stood down as its head in Germany and the company

blocked access to more than 200 newsgroups, later restoring access to all but five.

Internet experts ridiculed the police action as pointless since national regulations are barely able to inhibit what is available on the Internet.

Somn's defence lawyers argued that neither Germany nor Bavaria could set themselves up to police the transnational Internet and that the problem of illegal material on the web could only be tackled internationally.

Prosecuting the defendant or CompuServe was like holding a telephone company accountable for a private subscriber's phone conversations, the defence argued.

The charges brought against Somn predated last year's multi-media legislation which made Germany the first country to regulate cyberspace, curbing what businesses may or may not do on the Internet and outlawing child pornography, Nazi pro-

paganda and denying the Holocaust.



Felix Somn, who yesterday received a two-year suspended sentence for 'abusing the medium' PHOTOGRAPH: FRANK AUGSTEN

paganda and denying the Holocaust.

The law, however, states that Internet access providers such as CompuServe are

Russia puts its all into fight to save firm rouble

James Meek in Moscow

RUSSIA'S leaders closed ranks yesterday to vow that the strong rouble — dividend of seven bitter years of state scrapping, saving and borrowing at the people's expense — would be defended against the threat of a catastrophic devaluation.

But the head of the International Monetary Fund, Michel Camdessus, last night dashed hopes of a call-out of emergency loans to shore up the currency against further panic and retreat.

The rouble, which has escaped the sharp drops in value seen in Asian currencies, firmed slightly yesterday after the central bank's drastic decision on Wednesday to treble interest rates to a whopping 180 per cent.

The mortgage and the overdraft are unknown to Russians, but such a rate will cripple the economy if sustained, and there are expectations of an overseas rescue.

Speaking in Kazakhstan, Mr Camdessus said the IMF representative who arrived in Moscow yesterday, John Odling-Smee, would only discuss paying the next \$670 million of the loan already agreed — a long way short of the crisis package of up to \$10 billion which economists and banks are hoping for.

Mr Camdessus suggested an emergency credit could still be forthcoming, but not soon. "If necessary, after exhaustive analysis, the IMF would be ready to discuss the possibility of extra financing by the fund itself or to recommend other sources of extra finance," he said.

The Russian stock market, which has lost more than a third of its value since May 12, levelled out yesterday after heavy selling on Wednesday, but the government still faced huge interest payments on the money it borrows to pay its bills.

The next few days will be critical to president Boris Yeltsin and prime minister Sergei Kiriyenko as they try to show that they mean business in reducing the govern-

ment's dependence on the money markets by increasing tax collection and cutting spending.

For ordinary Russians, there is little joy in store. If the rouble falls, prices will soar, inflation will follow, and scores of banks will collapse. The sacrifices of the past seven years will be rendered worthless.

If Mr Kiriyenko means what he says, and holds the rouble steady, it is likely to mean mass unemployment replacing unpaid wages as bankruptcies hit, together with spending cuts on a budget which in areas like defence, health and education already hits into the bone.

"We still haven't learned to live within our means," the prime minister said after meeting Mr Yeltsin yesterday. "We must ensure that all May's taxes are paid... many firms used the recent change of government as an excuse not to bother paying their dues."

The president anticipated with grim relish a meeting today of the emergency tax commission mandated to confront big tax evaders but so far ineffectual. "We must force them to pay, and some of them will be brought before the courts. We have their names already," he said.

The deputy chairman of the central bank, Sergei Alexashenko, said Russia had the solid and hard currency reserves to defend the rouble.

However, the reserves — worth \$14.5 billion — are considerably lower than the \$20 billion of Russian government bonds held by foreigners.

Should the rouble fall, it could bring Mr Kiriyenko down with it, and a shadow would fall over Mr Yeltsin's position.

"The government would sacrifice everything else to support the rouble," political commentator Andrei Platonov said. "From an economic point of view devaluation has pluses and minuses but, politically, the strong rouble is the establishment's sole achievement in seven years of reform. If the rouble goes, it's a catastrophe for the ruling class."

Rouble trouble, page 10

Vladimir fell and broke his chin. But he finished the act and the women went wild



Martin Wainwright on a man who quit the military for a £1m circus career

SHIELDED by dark glasses and with his ponytail tucked into his white crew-neck vest, the world's first £1 million circus star has swapped the glitz of Las Vegas for Blackpool sands.

Jaded by desert life in the United States, the Big Top "aerialist" Vladimir — named as one of the 50 most

beautiful people in the world by America's People magazine — is taking morning jogs between Ripley's Believe-it-or-Not Museum and Robert's oyster bar.

"The women of Blackpool are lining up," said a spokeswoman for the resort's Pleasure Beach, which has astonished the circus world by paying £1.5 million for a 15-

week season by the balletic former coalminer from Ukraine. Already the top circus star in Las Vegas, Vladimir's mixture of Nureyev, Valentino and The Full Monty — flying in minimalist leather underwear high above the ring — has prompted an economic extension of girl power.

Draped over a Harley-Davidson under the plastic eyes of Ena Sharples and Elsie Tanner (part of the Coronation Street section of the seafront), the acrobat's tan

and muscles explain the changing market and dramatic investment of the Pleasure Beach. The owner, Amanda Thompson, wanted an act with a buzz for women, without upsetting the men.

Brought up by his mother, a railroad labourer in the mining town of Shakhtersk, Vladimir worked as a welder, miner and military guard at a nuclear missile base before quitting to join a circus in Kiev.

Study of Chinese acrobatics and anatomical drawings by Michelangelo led Vladimir — aged 37 and full name Vladimir Kheikal — to pioneer aerialism as a more elegant and dangerous extension of trapeze.

"At Las Vegas last year, I fell and broke my chin and scraped all the skin off my chest," he said. "But I finished the act because once you have gone out on stage, you must carry on until the end." The audience, women as Blackpool's are expected to be when Vladimir opens on July 1, went wild.

Topping the £1 million mark has left trade rivals like Gerry Cottle's Circus — which has its aerialists in its summer show — "amazed". But Vladimir, who attributes his skills to his mother ("She hammered rail spikes all day and I used her great, soft biceps as a pillow when I was little"), is loudly enjoying the change from Nevada.

"I got tired of the heat," he said. "And the nature here reminds me of the Ukraine. You have, for instance, cows."

The piece is a vernacular epic of transients hopping freight trains across America, dodging the sadistic railroad enforcers and scavenging for survival. Paraphrasing full value from resonant American place names: Alabama, Omaha, Cheyenne, Chicago, Nebraska. The quartet arrangement supports and embellishes the narrative, synchronising with the spoken word rhythms of shuffling and flowing as the journey unfolds. The music seems to teeter on the brink of tonality, neither dissonant nor conventionally harmonic. The performance was astonishingly effective.

Kronos had kicked off the evening with three short pieces, to knead the audience into a receptive frame of mind. P. Q. Phan's Raising Shadow deployed not only short, jagged phrases but also shrieks, yells, foot-stamping and Harrington blowing down a conch shell. John Lurie's Bella By-By. Brightly tiptoed stealthily across the stage and vanished as suddenly as it had arrived.

For Arum Manis, by Jack Bodie, Kronos were fortified with howls, echoes and tape repeats, intensifying the vortex-like, non-linear feel of the piece.

Smiling enigmatically, Kronos lined up to take their bows. If things had worked out differently, they might have ended up as Sonic Youth, or making sinister low-budget noir movies. Luckily for us they didn't.

This review appeared in later editions yesterday.

Blair snubbed on EU leadership after 'spin too far'

continued from page 1

sign Secretary, who on Tuesday addressed the parliament on Britain's plans for the Cardiff summit. He particularly asked for the parliament's support. But yesterday, the vote was 245-233 against the resolution.

Usually, these parliamentary resolutions are bland and anodyne affairs, which are nodded through on a voice vote. They traditionally come after the summit. This time the Labour MEPs thought it would be clever to get the resolution, with its praise for the UK presidency, passed two weeks before the

summit. They also inserted two fawning references to the UK presidency's performance, in what MEPs felt was "a spin too far".

That infuriated the Liberal group, who saw it as "manipulation", and they joined the British Tories, the Christian Democrats and some of the far left and independent MEPs to hand Britain an embarrassing slap in the face.

Some Italian Communists said they voted against the resolution because it praised Robin Cook for his "ethical" code of conduct on EU arms exports, which they saw as toothless.

"The fact is that our continental colleagues have finally seen through the New Labour rhetoric. There has been widespread complaint at the lack of progress made during the UK presidency, and Robin Cook's feeble performance has failed to impress MEPs from every party," said Mr MacMillan-Scott.

A number of factors went into the vote, led by the tactical cunning of the Tories in setting up a procedural ambush. But the row over the euro, Mr Blair's perceived preference for President Clinton and the US over Europe, and the failure of Britain to

develop a coherent EU foreign policy in the Middle East and elsewhere all played a part. The parliament's foreign affairs committee last week accused Mr Cook of cowardice in failing to appear before it.

Labour MEPs tried to downplay the matter yesterday as "a bit of a cock-up", and as an embarrassment for parliament itself. By voting down the resolution, parliament has lost any chance to have a formal input into the summit.

The Labour MEP leader, Wayne David, said: "The political forces on the right be-

lieved in a foolish and damaging way. They just beted parliament shoot itself in the foot when we have been trying to get the European parliament taken seriously. They have lost any moral authority to comment on the outcome of the summit."

This would all be a storm in a tea cup were it not for the pledges and efforts the Blair government has made to persuade sceptics in Brussels that Britain wants to be "a partner in leadership in Europe". Mr Blair remains popular, but the British hon-eymoon in Europe appears to be over.

Speaking for the EPP Christian Democrat group, James Provan (MEP for South Down) said: "Britain's presidency has achieved little in Algeria, Israel, the Middle East or Turkey. Few preparations are in place for enlargement — our single most important issue — and unemployment remains high across Europe."

"The British presidency is also responsible for the worst-managed senior European appointment ever, with the infamous fiasco over the central bank appointment. The whole European project was made to look ridiculous."

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Tests reveal high price of lack of progress on disarmament since cold war □ Growing fears that more nations will seek nuclear status

Shockwaves echo around the world

Iran Black Diplomatic Editor

IN DETONATING five nuclear devices, Pakistan did more than just match the card that India played two weeks ago. It crossed the threshold of doubt to become south Asia's second fully-fledged nuclear power and sent ripples of concern across the world about how to stop others joining the club.

It also highlighted the urgent need for the world's five "official" nuclear powers to move swiftly to reduce their huge arsenals — and brought an angry chorus of complaints that they had failed to live up to their own responsibilities. "We have to see this as a wake-up call that the pace of post-cold war nuclear disarmament has not been as effective as it should have been," said Rebecca Johnson, director of the Acronym Institute for arms control.

"If we are going to pull India and Pakistan back from the brink of a regional arms race then it has to be in the wider context of moves towards disarmament and legitimising nuclear weapons."

In practical terms, the world now has to deal with the fact that Israel, India and Pakistan, once dubbed threshold powers — on the brink of being able to produce nuclear weapons — are now clearly nuclear-capable but dangerously unfettered by any international controls.

None of the three signed the nuclear non-proliferation treaty (NPT), though Israel, almost certainly the world's sixth-ranking nuclear power, signed the Comprehensive Test Ban Treaty (CTBT).

Under the NPT, signed in 1968 and renewed in 1995, nations without nuclear arms renounced them for good, while the five declared weapons states — the United States, Russia, China, France and Britain — promised to disarm and develop peaceful nuclear co-operation under international safeguards.

It is here that many see the tragically lost opportunity of the post-cold war years, when a proud and assertive India, with a population of 900 million and concerns about neighbouring nuclear-armed China as well as Pakistan, found what it called "nuclear apartheid" of haves and have-nots insupportable.

"The high status and political value accorded nuclear arms has been a powerful incentive to India and Pakistan to go nuclear," said Dan Plesch of the British American Security Information Council. "Prestige rather than any external threat was the fundamental motivation in New Delhi."

Two enemies locked in long embrace

FOR the first time, the endless see-saw of hostility between India and Pakistan, which has already led to three wars, is stacked on both sides with a declared nuclear capability.

There was jubilation in the streets of Islamabad at Pakistan's atomic tests. Since India's tests on May 11 and 13, intense popular pressure has been on the Pakistani prime minister, Nawaz Sharif, to respond — despite the punitive international measures this could bring down on a nation highly dependent on foreign aid and loans.

Pakistan has already been stripped of all military and humanitarian aid since 1990 from the United States — a major donor and cold war ally. Washington withdrew this aid because it believed Islamabad had a nuclear bomb.

Mr Sharif said yesterday that if needs be, government buildings and offices would be sold off for money to help the country through any hard times.

Pakistan already spends about 25 per cent of its \$24 billion budget on defence — a reflection of its security concerns, and the potential for large commissions for the elite. India and Pakistan are among the world's leading purchasers of military equipment.

Pakistan's former prime minister, Benazir Bhutto, called for caution yesterday, saying that despite the euphoria in her homeland, "I don't think people realise the price Pakistan will have to pay."

The government should say: "We were forced to go nuclear but we don't believe in escalation," she said. In cold war times, Pakistan was cultivated as an anti-communist ally by the United States. China, too, became a Pakistani patron. India took a more neutral stance under Jawaharlal Nehru's premiership, and accepted Soviet aid.

India and Pakistan fought their first war over disputed Kashmir in 1948. After India's humiliating defeat by China over disputed frontiers in the

John Gittings on what lies behind the tragedy of 50 years of mutual hostility

Himalayas in 1962, Pakistan seized the chance to promote insurgency in Kashmir, leading to the second Indo-Pakistan war in 1965. The third war in 1971 ended with East Pakistan becoming independent Bangladesh.

But in 1988, Mr Bhutto and the late Indian leader, Rajiv Gandhi, agreed to ban attacks on each other's nuclear installations, and to exchange military information. Then political upheavals in both countries stymied progress.

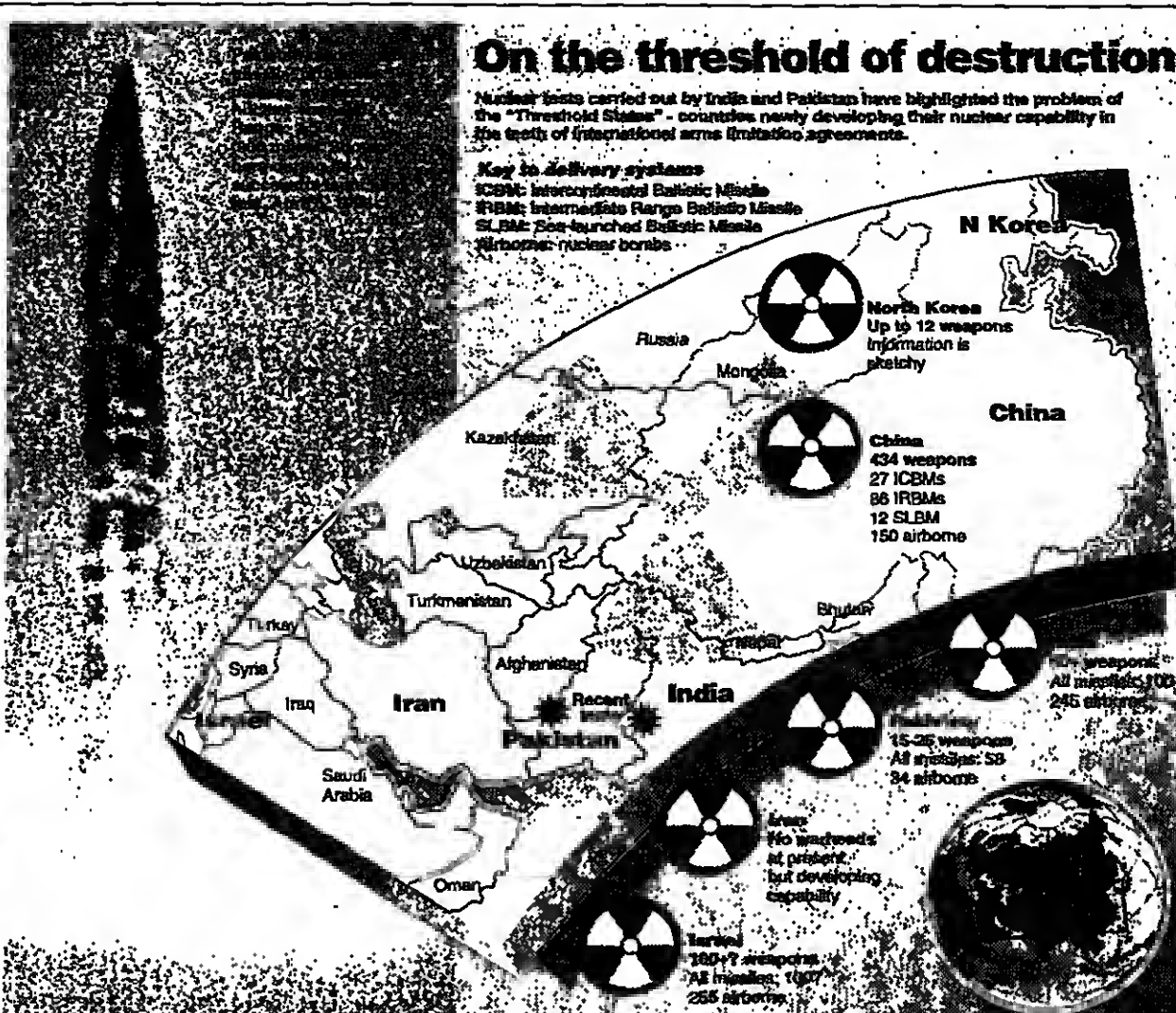
India cracked down on the independence movement in Kashmir — its only Muslim majority state — while Pakistan resumed support for insurgents there.

Only a year ago, things seemed to be improving again, as Delhi and Islamabad reached a dialogue suspended for three years. Now that dialogue is in ruins.

The volatile nature of this relationship is rooted in history. If only India and Pakistan were just enemies, it is often argued, their differences might be resolved. The tragedy is that they are almost friends, entwined in an ambiguous embrace that has united and divided them.

Pakistan was hacked out of India as the British made a hasty departure in 1947: the result was large-scale migration with accompanying massacres. Yet serious efforts had been made, up to the division, to reach agreement between Muslims and Hindus.

Today serious opinion on both sides argues that real economic progress in South Asia is impossible without rapprochement. But politicians and generals have fomented public hostility. With both sides now declared nuclear powers, the stakes are dangerously raised.



'If the nation will only take one meal a day, my children will take only one meal a day' 'They have vindicated our policy... India is ready to meet any challenge'



Nawaz Sharif, Pakistan's prime minister



Atal Behari Vajpayee (right), India premier

Scientists cast doubt on claim of five tests

A MAGNITUDE 5 seismic shock in the Baluchistan desert yesterday confirmed what experts had suspected for years: that Pakistan is a full member of the nuclear weapons club.

That means Pakistan has the know-how for a warhead, which could be fitted to its most powerful missile, the Hataf-5 Ghauri, tested last month, shortly after India revealed that it had detonated a thermonuclear device.

But it was not clear last night exactly what Pakistan had done. The foreign minister, Goyar Ayub Khan, told Reuters news agency that two tests had been conducted. Pakistan's prime minister Nawaz Sharif later announced five successful tests. Local villagers reported "two or three" tremors.

The Australian Geological Survey reported that it had registered only one explosion of magnitude 5 on the Richter scale. Scientists immediately began to suspect a Hiroshima-type device, with a yield of up to 10 kilotons.

The British Geological Survey reported a shock of 4.7. Later the US Geological Survey pinpointed a 4.8 magnitude quake at 10.16 GMT at 28.96 North, 64.73 East, in the Chagal Hills near the Afghan border. It was also picked up automatically by the prototype Comprehensive Test Ban Treaty monitoring equipment.

"Our problem is that we don't know very much about the geology of that area," said Dr Roger Clark, a Leeds University seismologist who is a member of Veritec, the London-based test ban monitoring group. "It works out as somewhere between two and 20 kilotons, a modest Hiroshima-sized bomb. It does appear to be only one event and not five, so just like the Indian tests we conclude that the other ones were either small or they were all simultaneous and/or small," he said.

Pakistan is known to have begun working on nuclear weapons in secret in 1972, after defeat in the 1971 war with India. In 1980, the US

Tim Radford and Richard Norton-Taylor on the bomb

government cut off aid and imposed sanctions.

The belief is that the country has enough enriched uranium for 15 to 20 weapons, each comparable to the Hiroshima device. Until last month, however, Pakistan had missiles only capable of reaching 300 kilometres.

India, which conducted its first nuclear test in 1974, has two aircraft capable of delivering nuclear weapons — and two missiles.

A Pakistani mobile land-based ballistic missile which could deliver nuclear warheads was test-fired for the first time last month with North Korean help.

The Ghauri missile, which has a range of 1,350 kilometres — sufficient to target Delhi, Bombay, and other major Indian cities — is based on North Korea's Nodong missile, not Chinese technology as has been widely assumed.

The disclosure, first made by Paul Beaver of Jane's defence publications, was confirmed yesterday by intelligence sources. North Korean aircraft flying to Pakistan earlier this year are understood to have carried technicians to prepare the tests.

The Pakistani missile tests caught India by surprise. Development of India's new missile system — the Agni — cannot yet be equipped with warheads.

India's existing Prithvi missiles have a range of up to 250 kilometres, enough to reach all Pakistan's cities, though a nuclear attack by India would risk radioactive fall-out endangering neighbouring Indian states.

India's Agni missile — still believed to be under test — is designed to have a range of 2,500 kilometres. "Pakistan can trump India technologically," George Perkovich, of the Jones Foundation, a US

Chill in the streets, heat in parliament

INDIANS clogged the phone lines to newspaper offices with nervous calls yesterday as the first rumours of the Pakistani bomb swept through the capital. "People were apprehensive. They wanted to know what happens now," said one senior reporter.

It was a sobering shift of mood since the euphoria just over a fortnight ago when India held its own nuclear tests and people cheered in the streets.

"Hopefully, now that both countries know each other's strength, they will have the

M. R. Narayan finds Delhi's people in a sober mood

sense to stop their war-mongering and give people better lives," said Ashok Sharma, aged 32, an office assistant.

In the Muslim-majority state of Kashmir, militants exploded firecrackers to celebrate the Pakistani bomb. "People are jubilant here, but the news makes me shiver that soon there will be war,"

said Mansoor Anjum, a local newspaper editor.

In Delhi, Abhik Banerjee, a 28-year-old student, said he felt the Pakistani tests were justified in the light of India's tests. "I firmly believe that neither country will be mad enough to press the button," he added.

Opinion polls after the Indian tests — deemed by many a demonstration of national self-respect — showed 90 per cent support. But yesterday's more nervous mood was mirrored in parliament where the opposition flayed the

Hindu nationalist government with charges that its policies had provoked Pakistan's tests and created new instability in South Asia.

The prime minister, Atal Behari Vajpayee, called for calm but the leader of the Communist Party of India-Marxist, Somnath Chatterjee, shouted: "You have started a nuclear arms race in this region," as pandemonium broke out in the Lok Sabha, the lower house, at news of the Pakistani blasts.

Opposition members jumped to their feet, waving order

papers and screaming abuse at the government side.

The Pakistani tests came on the second day of parliament's first formal debate on the government's nuclear programme and the violence of the opposition attacks appeared to stun the prime minister.

The former prime minister I. K. Gujral, an advocate of better relations with Pakistan, appealed to both sides for sanity, and to "talk and act responsibly" now that their nuclear capabilities were out in the open.

Worldwide condemnation and sanctions

AUSTRALIA: First to take action, withdrawing an offer of \$82.6 million (£1 million) aid to Pakistan and considering further punitive measures.

BRITAIN: Foreign Secretary Rofia Cook said the 15 EU nations would urgently consider sanctions against Pakistan.

CHINA: Voiced deep concern, urging India and Pakistan to renounce nuclear weapons to stop tensions escalating.

FRANCE: Deplored and

condemned the tests "which fly in the face of worldwide efforts against nuclear proliferation and for an end to testing".

GERMANY: Foreign minister Klaus Kinkel urged dialogue and not a nuclear arms race.

JAPAN: Pakistan's biggest bilateral donor said it was considering stiff sanctions. "In parallel with what we did to India."

RUSSIA: Foreign ministry said it was not considering sanctions, but added: "It is

deplorable that the Pakistani leadership has been unable to cope with its emotions and to demonstrate circumspection and common sense at an extremely important moment."

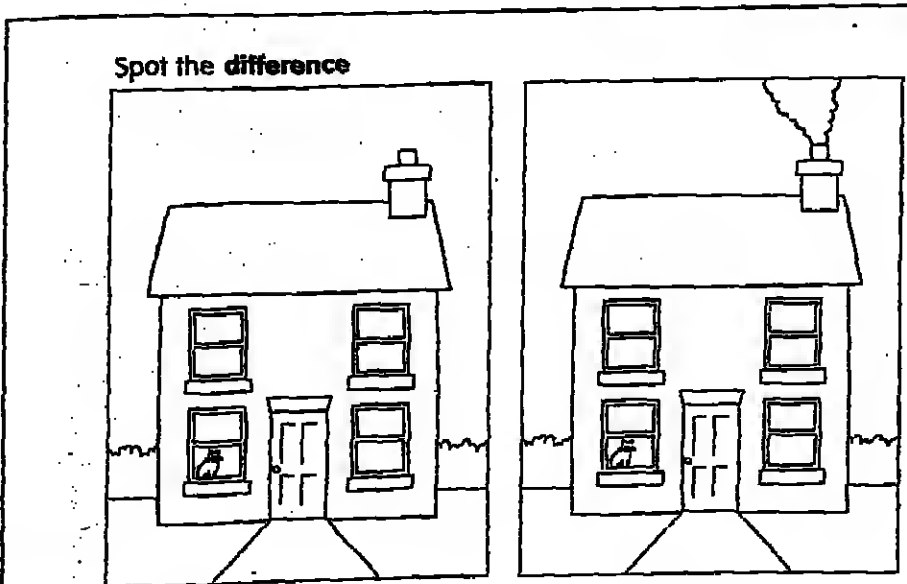
UNITED NATIONS: Secretary-General Kofi Annan appealed to India and Pakistan to refrain from mutual accusations which could further inflame tensions.

UNITED STATES: President Bill Clinton condemned Pakistan's decision as a lost opportunity, and imposed sanctions.

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Designer labels supermarket togs as fakes



Kate Moss modelling Tommy Hilfiger fashions at London Fashion Week, and a male model displaying Hilfiger chic



Tommy guns for Tesco over sale of 'copies'

Mark Miller
Deputy Financial Editor

THE fashion house Tommy Hilfiger yesterday launched a legal battle against the giant supermarket chain which is selling counterfeit versions of the United States

company's merchandise. The supermarket group hit back immediately, insisting that it believed the goods were genuine. It claimed the Hilfiger move was designed to "muddy the waters" over selective distribution, which Tesco insists means higher prices for consumers.



Tommy Hilfiger: fight over authenticity of merchandise

Hilfiger issued a High Court writ claiming damages and said it was planning to seek an injunction against Tesco, restraining the company from infringing its trade marks.

Hilfiger denied its action was connected with the long-standing wrangle which has seen supermarkets such as Tesco and Asda selling up-market brands, acquired through unofficial or "grey market" sources, at well below the recommended retail price.

The US fashion house said in a statement it believed that "certain Tommy Hilfiger brand goods being sold by Tesco since Easter weekend 1998 are counterfeit". It did not, however, reveal which merchandise it is claiming are fakes.

The chief executive of Hilfiger's European operations, Fred Gehring, said: "We owe it to our consumers that whenever they buy Tommy Hilfiger merchandise they can be sure it is genuine. Retailers, such as Tesco, also owe a duty to their customers to ensure that they are not spreading the counterfeiting plague, which ultimately hurts the consumer as well as the brand owner."

We are therefore determined to take this legal action to stamp out the trade in counterfeit goods."

stant rebuttal from Tesco, which said: "If there was ever any serious doubt as to the authenticity of any goods we sell, we would withdraw those products immediately."

Tesco director John Gildersleeve professed bafflement as to why Hilfiger had waited until now to launch its legal challenge. He said: "We don't understand why Tommy Hilfiger has taken this action now — we have been selling their products for over seven weeks, and have given them access to inspect the whole range."

The supermarket group said it went to "exhaustive lengths" to check the authenticity of its products and stated: "We absolutely believe the Tommy Hilfiger products on sale at Tesco are genuine."

Mr Gildersleeve went on: "We can only believe this is a move to muddy the waters over the real issue of selective distribution — a system that brands operate to restrict supplies and maintain high prices."

The Tesco campaign has delivered millions of pounds worth of savings to our customers and it is in their interest that we continue to find ways of fighting selective distribution," he added.

However a Hilfiger spokesman denied the move was an attempt to thwart Tesco's cut price sales. The issue related only to counterfeiting.

He insisted that Hilfiger had carried out exhaustive studies to establish what was counterfeit, adding: "You do not go up against a company like Tesco without having done your homework first."

Analysis, page 11



Masked pirates on the lookout for ships in the China seas, one of the robbery blackspots

PHOTOGRAPH: MIKE GOLDWATER

Keith Harper on the increasing risks posed to shipping

Pirates murdered Briton, says Yard

SCOTLAND Yard detectives have concluded that a British sea captain was murdered by pirates in the South China Sea and was not the victim of a mutiny. Their conclusion reveals official disquiet at mounting incidents of piracy on the high seas.

The report overturns an investigation by the Indonesian authorities which concluded that John Bashforth from Derbyshire died at the hands of his crew on board the Baltimore Zephyr in 1992. The report says this "does not stand up to examination".

The incident has provoked a furious wider controversy. It has led to demands from shipowners and unions that greater vigilance should be displayed by governments to control outbreaks of piracy, and that tighter surveillance should be introduced in the world's blackspots, South East Asia, Africa and South America.

The Foreign Office has broken new ground by asking for the co-operation of Scotland Yard's organised crime group section, which investigates the deaths of British subjects abroad. After years of inaction, the FO finally acted over the death of Captain Bashforth because of a huge increase in acts of international piracy.

There were 106 reported in 1992, but by 1996 this had risen to 224, and in 1997 to 252. The International Maritime Organisation says the real numbers are 50 per cent higher because shipowners are reluctant to report them and delay hushness.

The Scotland Yard team, led by Det Supt John Rees, spent eight days in Indonesia questioning officials. It found no evidence to support the Indonesian conclusion of mutiny, but "much to support the crew's account" of the night when the ship was boarded by pirates in waters "where there are more pirate attacks than anywhere else".

The report says in the process of organising the purchase of a pig as a treat for their Christmas dinner and also the purchasing of a new washing machine for them — hardly the actions of a Captain Bligh.

It says several acts which took place on the vessel, carrying tractors and mining equipment en route for Australia, put the crew's safety in jeopardy.

The radar screen and the VHF radio were "deliberately disabled" and for 90 minutes the vessel was out of control until it was picked up by the Indonesians.

Mr Rees says: "It is surely inconceivable that crew members would put themselves in such danger."

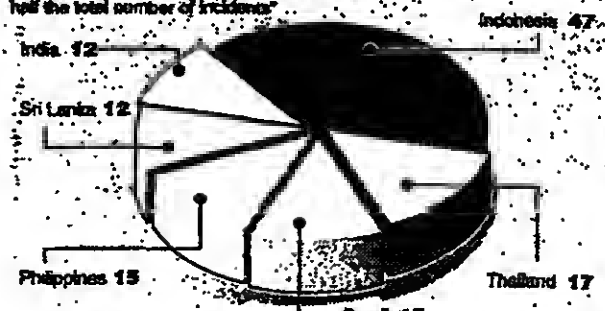
The Foreign Office brought considerable diplomatic pressure on the Indonesian authorities to allow their papers to be released to British investigators.

Now that the findings are known the Foreign Office is expected to press for the case to be reopened by the Indonesians, although the chances of finding the pirates are remote. Members of Captain Bashforth's crew say the Indonesians have been covering up to protect members of their own security services involved in acts of piracy.

The Yard investigation has led to a gradual change of attitude by the Foreign Office, which has decided to raise the issue of piracy at the United Nations this year. Britain will lead the call for an international initiative, which is likely to result in increased policing by the navies of member states. Allan Gravison, national secretary of the merchant navy officers' union, Numast, said last night: "It is only a matter of time before an incident goes beyond the vessel involved to include the loss of another vessel or port installation, with significant loss of life."

Pirate attacks worst affected areas

The following six countries suffered more than half the total number of incidents



Strife on the ocean wave

Second officer Deborah Harrison was shot in the chest in January on board the Shell oil tanker, Isomera, when it was boarded by pirates while discharging butane at Santos, Brazil, in January. The pirates were searching for money and valuables. She is still recovering.

Pirates boarded a Honduran tanker in the Gulf of Thailand in January. The crew was beaten up, and cash and communications equipment were taken.

A dozen heavily armed pirates scaled a cargo vessel in Rio de Janeiro last March. They threatened to murder the crew if they warned the

authorities. They beat up the master and forced him to open the safe.

A Chinese container ship was attacked off Manila in the Philippines last October. Pirates climbed up the anchor cable, and the fourth engineer died from heavy bleeding.

An officer was shot after a North Korean cargo vessel was captured in Point Pedro, Sri Lanka, last July.

Pirates attempting to capture a Russian trawler in Somalia last year murdered the captain. In another incident in the same area, the third officer was shot when a fishing trawler was hijacked.

'In your face' technique reduces street crime

Duncan Campbell
Crime Correspondent

THE use of "in-your-face" filming of suspected muggers has led to a dramatic fall in street robberies, according to statistics to be published next week. The technique, which police claim benefits young offenders as well as their potential victims, could now be extended to other crimes.

Currently 30 sites in London have been making use of what are known as "in-your-face" video techniques. Known street robbers are tar-

geted by a team of police officers who film them in the street.

The robbers are then aware that what they are wearing that day will be on file, so if they carry out a street robbery they could be easily identified. Some of those filmed have even returned home to change and been filmed again.

"If there is a team of youngsters involved in street robberies, we ostentatiously video them," said a senior Metropolitan Police source. "We let them know that we know what they have been wearing and who they are

with. This has been very successful."

The source said the police were aware that there was a civil liberties aspect to the filming but said it was intelligence-led and focused, not random.

"You have nothing to fear from us if you're not a criminal," he said. The film was used only by the police and was not made public.

He added that the technique was also to the advantage of the young men concerned in that it discouraged them from committing a crime, although the police accept that use of "in-your-face" video is likely

to be more sensitive in certain parts of London, such as Lambeth.

The Met believe that "in-your-face" is one of the factors that has led to a reduction in street robberies from 34,500 to 32,500 as part of Operation Eagle Eye. Other techniques include the posting of robbery alert boards in hotspots.

The idea for filming came from its success in cutting down football hooliganism. For a number of years police teams have ostentatiously filmed football crowds inside grounds where there has been trouble.

The Commissioner of Metropolitan Police, Sir Paul Condon, confirmed yesterday that next week's crime figures will show that burglary and car theft are at their lowest levels in London since 1980 and crime in general is at its lowest level since 1989.

However, violent crime and reported sex offences are again on the increase in the capital.

In an attempt to cut down on violent crime, which is up by 6 per cent in London, the police are considering "naming and shaming" of particularly violent pubs and clubs. Brewers and members of the public would be informed,

possibly through the media, of the most violent locations.

"There is a lot of violent crime on private or semi-private premises," said the source. He suggested the "naming-and-shaming" of pubs might mean that violent places were punished by market forces in that the publicity would drive people away.

Next week's figures will show that the number of reported crimes in London has fallen to 778,279 from 844,145 in 1992/93 and 816,193 last year. Burglary is down by 14 per cent and all crime by 5 per cent, but sex offences have risen by 9 per cent.

When Glenn Hoddle flicks through his videos from Wednesday night, his favourite bits are unlikely to come from Casablanca

Sport98, cover story

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Government releases figures to highlight top-up benefits for bottom earners as anxiety is voiced over different minimum wage levels

Labour fights union fury over low pay

Larry Elliot
Ewan MacAskill
and Mark Atkinson

THE Government last night sought to douse union anger over the proposed level of the minimum wage when it released figures showing that families with children would be earning at least £6 an hour once top-up benefits were added to the basic pay of low earners.

Downing Street and the Treasury opted for an offensive rather than defensive strategy in the face of union protests that a minimum wage of £3.60 an hour was too low.

Tony Blair's chief press officer stressed that the Government was fulfilling its promise to establish the principle of a minimum wage. "It is something that we are happy to trumpet."

Leading unions expressed disappointment with the level of the minimum wage and promised to campaign for improvements. But a union source conceded privately that there were few hopes of getting Mr Blair to change his mind either over the £3.60 figure or securing an increase for 18- to 21-year-olds, whose minimum is to be set at £2.50.

Whitehall sources, stressing that the minimum wage had to be seen as part of an overall package, said that changes announced in the Budget would make a big difference to the final take-home pay of the least well-off, which would be £180 per week for any household with children.

The impact of the new Working Families Tax Credit, the reduction in national insurance contributions, and the increase in child benefit formed a central part of the Government's evidence to the Low Pay Commission, which was set up by Mr Blair last year to investigate a minimum wage.

The Government, which only received the 400-page report from the Low Pay Commission on Wednesday, will give its verdict in a Commons statement in the next few weeks, but it is unlikely to depart significantly from the Low Pay Commission recommendations.

The Chancellor, Gordon Brown, has always argued that the minimum wage was only one plank in the Government's anti-poverty strategy,

and had to be seen in conjunction with changes to the benefit system.

According to the Government's figures, a lone parent with one child working a full 35-hour week and living in rented accommodation would be earning the equivalent of £6 an hour once tax, national insurance, the working families tax credit, housing benefit and child benefit were taken into account.

A lone parent with one child working 16 hours a week would be on £11.70 an hour.

For one-earner couples, those with two children in rented homes would be on £7.10, those with three children £7.70 an hour, and those with four children £8.30 an hour. A one-earner owner-occupier couple with two children would be on the equivalent of £8.10 an hour.

The top-ups will only help those families with children, but Government sources said that this group included large numbers of low-paid workers under 21, many of whom were single parents.

Although the unions are unhappy about the lower rate for young workers, ministers were concerned that too high a rate might lead to job losses and cut against the grain of its New Deal programme.

John Edmunds, general secretary of the GMB union, said a "two-tier" pay system would cause social alienation and turn under-21s into "second-class citizens".

Bill Morris, leader of the Transport and General Workers' Union, described it as a "missed opportunity" and warned that his campaign for a higher wage would continue because Britain could not settle for "second best".

Job losses from the minimum wage are expected to be concentrated in poorly paid service industries, like hotels, catering and retailing, but the impact is not expected to be large. There may even be a small positive net impact on employment if higher costs spur firms to increase productivity, argue some economists.

According to the Office for National Statistics, there are between 2.058 million and 2.267 million people over the age of 21 in jobs paying less than £3.60.

The number captured by the proposed lower £2.50 rate for the 18-21 age group is estimated at between 275,000 and 385,000.



Knitwear boss Trevor Hall, who fears the high pound and minimum wage will force him to cut 100 jobs and move production abroad. PHOTOGRAPH BY DOUG MARKE

The employer/ Boss of family knitwear firm sees its future in low-wage foreign lands

AFTER calculating the cost to his business of the Government's £3.60 an hour minimum wage, Trevor Hall made an agonising decision yesterday.

"I have already looked at producing overseas and this makes me convinced I'll have to do it," he said. "That probably means closing down in Britain."

His Leicester company, Commando Knitwear, family owned and managed, has established a niche market with its regulation navy blue sweaters for the country's police forces. It has also cornered the trade in those khaki woollens be-

loved of country folk. But after shedding 10 per cent of his staff in the past three months, there seems little future for the remaining 100, who produce 5,000 sweaters weekly. Some of them earn £3.40 an hour.

Struggling to maintain competitiveness against a high pound, Mr Hall said he had been looking overseas for manufacturing bases. Top of the list are Thailand and Romania, although he concedes eastern Europe "is rather unstable". It will need a pilot run, he says, "but if it is OK why should I manufacture here? I just cannot absorb the costs."

Peter Heatherington

The worker/ 'You can't win. People pay you what they like. They've got the upper hand'

EMERGING from the job centre yesterday afternoon, Jackie and her boyfriend, David, found it hard to accept the reality on the situations vacant boards.

"I was getting £3.33 an hour six years ago in a shop and they are still advertising for the same rates," said Jackie. "Wages seem to be going down, rather than up."

Until recently she was working as a care assistant in an old folk's home for £3.05 an hour. "The residents were great, although the pay wasn't very good. But I couldn't stand the people I was working with and became ill."

Now she is looking for another job, but finds the wages being offered "disgusting". "The minimum wage will be a start, rather than a kick in the teeth. Labour has to really turn things round and make sure people are not exploited and get a reasonable wage for working hard."

The couple say they are constantly cutting back on non-essentials to make ends meet. David earns £3.80 an hour as a storeman, although that includes a 50p shift allowance.

After a variety of jobs, he says his wages have halved over the past few years. "Everything has been cut

back and people just exploit you. Between us we manage to pay the bills, but we've got nothing left."

Invariably, the job centre had little to offer. "It's total crap. You have to go to other agencies to get the jobs, but they always take a cut so the wage is never so good. You just can't win. Employers just pay you what they like. They've got the upper hand."

Some at the South Shields job centre say they have been forced to work overseas to make ends meet. While the work is lucrative, it rarely lasts for long. John, 46, says he can make £860 a week gross working in a shipyard in Hamburg. But he had to return for his family. "Wages here are very low. I recently saw a security job advertised for £1.50 an hour."

Peter Heatherington

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Sir Peter Hall (left) and Sir Cameron Mackintosh headed the list of theatre figures who backed the resignation of the Arts Council's drama panel

Leading theatre figures stoke fires of crisis at Arts Council

Helen Carter

LEADING theatre figures embroiled themselves in the crisis facing the Arts Council yesterday, with a terse letter to the Culture Secretary, Chris Smith, supporting the resignation last week of the 17-member drama advisory panel.

The letter, signed by 60 theatre directors and producers, led by Sir Peter Hall and Sir Cameron Mackintosh, comes just a week after the resigna-

tions. It says: "We totally support the reasons for the drama panel's resignations. We would not wish to serve on any Arts Council of England panel whose chair is not a full member of the council."

Under new proposals the 11 advisory panel chairmen will no longer have a right to sit on the council and more power will be in the hands of a few bureaucrats. Arts Council chairman Gerry Robinson and chief executive Peter Hewitt claim it will make it function more effectively.

The London-based Tricycle Theatre's director, Nicolas Kent, one of the signatories, said: "Everybody is very upset about the lack of consultation about the reforms to the Arts Council."

"There is also a feeling within the theatre community that this government is not taking performing arts seriously. Promises which were made before the general election have been broken."

Braham Murray, artistic director of the Royal Exchange Theatre in Manchester, who also signed the letter, said the Arts Council was facing a crisis of confidence which could lead to its demise.

The group has received a letter supporting its action from the Directors Guild of Great Britain, while Mr Robinson sent a letter to all council panel members, aimed at defusing the crisis.

A statement from Mr Robinson said: "While art form panel chairs will not be de facto members of council, they will have direct access to council when matters of significance in their art forms are being discussed."

In a letter to the Guardian, Mr Smith said: "Decision making has become very unwieldy with a council of over 20 members. But at the same time, there must remain a clear role for expert advisory panels to feed in to the deliberations of the council itself."

Windsors and Spencers at odds over Diana day

Luke Harding

THE feuding Spencers and Windsors are to hold separate memorial services for Diana, Princess of Wales, on the first anniversary of her death, it was announced yesterday.

In a sign that the hatchet has yet to be buried between the two families, Diana's sons, William and Harry, will spend the day with their father at Balmoral, together with the Queen and the Duke of Edinburgh.

Diana's brother, Earl Spencer, and her two sisters will hold their own private memorial service on the banks of the lake at Althorp, where Diana is buried. The Northamptonshire estate closes to visitors for the summer the previous day.

The earl remains unforgotten by the royal family, following his venomous address at Diana's Westminster Abbey funeral service. It was then that he pledged that his sister's "blood family" would look after Princes William and Harry, implying the Windsors were not up to it.

The princes turned down an opportunity to go on holiday this summer with Diana's sister, Lady Sarah McCorquodale, preferring to spend it with their father instead.

Tony Blair, who strove to rescue the monarchy's reputation in the disastrous week following Diana's death, will also be at Balmoral. Mr Blair and his family have been invited to attend the private morning service at Crathie Church on the day of the anniversary, Monday, August 31. The royals traditionally spend most of the summer at Balmoral, and the prime minister of the day is usually invited to spend the last weekend in August at the Queen's Scottish estate.

"The royal family and the Spencer family have obviously been in touch and each wishes to mark the anniversary privately and in their own way, wherever they may be on August 31," a Buckingham Palace spokeswoman said.

"The royal family recognises that people may want to remember the princess in any number of different ways."

Brittan lays into Hague's 'dated' policy on Europe

Ewen MacAskill, Chief Political Correspondent

THE Conservatives' leading figure in Europe, Sir Leon Brittan, last night attempted to demolish the line by the sceptical European policy recently set out by his leader, William Hague.

Sir Leon, the former cabinet minister appointed a European commissioner by Baroness Thatcher, dismissed Mr Hague's vision of Europe as wildly out of date.

Speaking in the old heart of the Conservative establishment, the Carlton Club in London, Sir Leon described Mr Hague's view as "fundamentally flawed anachronism". He added: "William Hague is applying a 1980s vision to a simplified caricature of the European Union of the 1990s."

Underlining the continuing division within the party over the European single currency, pro-European Tory MPs voiced their support for Sir Leon while Euro-sceptics condemned him.

A spokesman for Mr Hague said: "It is a shame that those so stridently in favour of a single currency can address the arguments against it. The single currency is a 40-year-old idea that flowed from a

different age. One has to question whether in today's, or more appropriately tomorrow's, world it is the right way forward."

Sir Leon, long a pro-European, was unrepentant, arguing that Mr Hague had an old-fashioned idea of sovereignty. "I believe most ordinary voters in the UK understand that sovereignty is a fluid concept, not like the family silver, here today, gone tomorrow."

The Conservative Party was being forced by Scottish

"We must respond to the way the world is, not the way some might imagine it is"

and Welsh devolution to accept the idea that the nation state was open-ended. "The Conservative Party must respond to the way the world is, not the way some might imagine it is or should be," Sir Leon said. "It would be a shame of tragic proportions if the party were to tread the European stage out of touch with reality and dislocated from the future."

He was applauded by the former Tory minister, Ian Taylor, who resigned Mr

Hague's front bench team in protest after the leader toughened his line on Europe. "Those who try to portray the European Union as past its sell-by date are wrong."

Sir Leon's warning came as the former Tory defence secretary Michael Portillo warned in a speech in Washington that the single currency posed a threat to Britain's relationship with the US and would lead to the imposition of common European Union policies on Britain.

The former Chancellor, Norman Lamont, echoed this. "I am sorry my friend Leon Brittan has chosen to make this speech. It is absurd and somewhat offensive to dismiss the nation state in this way."

"William Hague's position is supported by the overwhelming majority of the Conservative Party in the country."

Leading businessmen opposed to European economic and monetary union are to meet to step up their attempt to halt the Government's drive towards signing up to the euro. More than 100 senior figures from business and commerce will be at the London launch of a critique rejecting the single currency on economic terms. They will be joined at the Café Royal in London on July 3 by Mr Hague.

Rail strikes loom after resounding vote on pay

Keith Harper Transport Editor

RAIL users face a summer of disruption after maintenance workers yesterday voted for a series of strikes.

Track and signalling workers from the Rail, Maritime and Transport Union could strike within a fortnight unless their companies resolve a pay and conditions dispute.

Employees at seven out of the eight maintenance compa-

nies, whose ballot results were announced yesterday by the Electoral Reform Society, voted for strike action by up to five to one. Workers at six other companies are expected to declare their results in the next week.

The union's executive has called a meeting for June 5 to decide on the form of action, but Bob Crowe, RMT assistant general secretary, said: "This is a clear mandate for industrial action... in spite of a lot of intimidation and in-

terference by the employers in the ballot process."

Current basic rates of pay vary marginally between companies but range between £165 and £220 a week for track workers.

Under the companies' proposals, basic pay will increase but earnings and the overall pay bill will fall. A basic grade working 49 hours a week, with 10 hours' overtime, will lose up to £40 a week on present earnings.

Sinn Fein names Old Bailey bomber for assembly seat

Rory Carroll

SINN Fein yesterday nominated Gerry Kelly, the Old Bailey bomber and Maze escapee, to fight for a seat in the Northern Ireland assembly.

Gerry Adams, the Sinn Fein president, was also among the 10 party members chosen to contest Belfast constituencies in the June 25 election.

Mr Kelly's inclusion is intended to soothe hardliners' queries about the party's historic decision to take its seats, abandoning 30 years of abstentionism.

A leading negotiator at Stormont, Mr Kelly was jailed for life in 1973 for bomb attacks on the Old Bailey and Scotland Yard, which injured dozens.

He led a break-out of 38 inmates from the Maze prison in 1983, during which a prison officer was killed. He was captured in the Netherlands.

Hardliners may also be reassured by Mr Kelly's running mate, Martina McKenny, who opposed the Good Friday agreement. Yesterday she said: "I did have serious reservations but after meetings and talking to people I have come to see that this is the only way."

Sinn Fein will announce its non-Belfast candidates next week, but pressure continues to build over the IRA's arsenal.

Yesterday Ronnie Flanagan, the RUC Chief Constable, said mainstream paramilitary groups posed a threat despite their ceasefires.

They continue to train and stockpile weapons in defiance of demands to prove that the war is over, he said.

Police on both sides of the border are committed to finding "significant" quantities of weaponry.

He stressed, however, that the immediate threat came from anti-peace process splinter groups such as the INLA, Continuity IRA, and the 32 Counties Sovereignty Committee.

David Trimble, the Ulster Unionist leader, urged President Clinton to broach IRA decommissioning when he meets Mr Adams in Washington this week.

Mr Trimble said an unambiguous statement of the IRA's intentions was needed.

"There is no support or justification for Sinn Fein-IRA retaining their weapons and they should now follow the example of others who have nominated representatives to the decommissioning panel," he said. Sinn

Fein this week met the head of the of the decommissioning body, Canadian general John De Chastelain. Party leaders know it will be difficult to sell decommissioning to many members, who say an undefeated army does not hand over weapons.

Martin McGuinness, Sinn Fein's chief negotiator, said Mr Trimble was hyping the issue out of all proportion.

"What we have to do is recognise there are people out there who are trying to create difficulties, who want to impose new obstacles, new preconditions. The hope is they will not get their way."

Speaking after a meeting with Mo Mowlam, the Northern Ireland Secretary, Mr McGuinness predicted many Sinn Fein candidates would be elected next month.

The assembly will have 108 members with six each elected in Northern Ireland's 18 parliamentary seats by single transferable vote.

Sinn Fein's 10 Belfast candidates are:

West Belfast: Gerry Adams, Bairbre de Bruin, Alex Maskey, Sue Ramsey and Michael Ferguson.

North Belfast: Gerry Kelly, Martina McKenny.

South Belfast: Sean Hayes, East Belfast: Joe O'Donnell, Lagan Valley: Paul Butler.

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Which one will it be? Or will it be neither? Nicole, played by Estelle Skornik, gets a kiss from Vic Reeves, left, and Bob Mortimer. PHOTOGRAPH: NEIL MANNING

Papa - I'm to marry. Which one, Nicole?



Spurned by Nicole: Hugh Grant, left, and Chris Evans

Beauty and wit were matched at the Savoy yesterday when Renault launched its new Clio commercial. The story of Nicole and Papa moved on with all the esprit of the little car it promotes, when its heroine met two unlikely potential husbands - TV comedians Vic Reeves and Bob Mortimer.

Tonight, in an advertising break during Coronation Street, the one who steals Nicole's heart will be revealed - or perhaps not; Renault has filmed three endings, and refuses to say which will be used.

The wedding is the eighth ad in a series that has followed Nicole from a shy

teenager in Provence to a sophisticated Parisienne. The campaign is one of the most successful ever - in a survey in 1996, Nicole was more widely recognised than the then prime minister, John Major.

Yesterday Max Donchin, who plays Papa, escorted Estelle Skornik on to a podium in a £5,000 silk and lace dress for a "pre-wedding breakfast" while Vic and Bob, in morning dress, stood open-mouthed. "You're beautiful," said Bob.

Apparently both actor Hugh Grant and DJ Chris Evans had agreed to wed the 27-year-old Nicole, only to be jilted when "public interest grew so strong that we decided we needed three different endings and so we chose a famous double act".

according to Graeme Holt, a spokesman for Renault UK.

After being introduced to the media, the wedding party posed beside the new Clio. A group of men (looking suspiciously like actors) held signs saying "Don't do it Nicole" and shouted "Stay with Papa".

Following tradition, Nicole's wedding has something old, something new, something borrowed, and something blue. A 1931 Renault carries the bride to the church; the latest Clio is driven by a mystery bridegroom; the groom's top hat is borrowed; and Nicole wears a blue garter.

Renault is expecting more than 23 million people to see the ad tonight, more than 50 per cent of the viewing public.

Cash call for shamed police force

Martin Wainwright

A FIERCELY critical report on a police force accused of bizarre initiation rites and sexual harassment was published by the Government yesterday, condemning "management malaise" and "sham" equal opportunities policies, and calling for "significant investment" to effect meaningful change.

The chief inspector of constabulary, John Stevens, called for a root and branch review of the organisation of North Yorkshire police, which has faced a series of expensive sexual harassment cases in the past five years.

The report, which found a near absence of good communication in the force, said "unprecedented" numbers of officers asked for interviews with Mr Stevens' team.

He was called in to oversee an audit of the force after the retirement of the former chief constable, David Burke, who retired with allegations of "neglect of duty" against him unresolved.

The findings were welcomed by the new chief constable, David Kenworthy, who said he had drawn similar conclusions during his first four months in command. The police authority chair, Liberal Democrat councillor Angela Harris, described the report as "detailed, wide-ranging and a help with working towards a better police service."

The inspectorate was called in after allegations of initiation rites and sexual harassment at Harrogate police station in 1992, and the payment of an estimated £500,000 in an out-of-court settlement to a former detective there, Libby Ashurst. A second

woman officer was later paid compensation in a similar case, and the force was accused of excessive secrecy and failing to take equal opportunities seriously.

Mr Stevens acknowledged that Mr Burke began an overhaul of personnel management but said greater resources are needed to make it more effective. The report said: "Without significant investment, it is unclear whether the force could support a meaningful change to its organisational culture."

"Nowhere is this more required than in the area of equal opportunities, yet Her Majesty's Inspector was disappointed to find little evidence of commitment, let alone investment."

The report also warned that few officers have any confidence in training and grievance procedures, and specified that "there is a clear and unequivocal under-representation of female officers in ranks above constable and in specialist posts".

It added that rumour is the most widely used form of communication in the force, and that good practice has resulted more from individual initiative than management.

Mr Kenworthy said the report would be useful to help bring about change, adding: "It's going to take some time to achieve, but whatever happened in the past, the force can now move forward."

Mrs Harris said: "I am confident we will now work towards creating the infrastructure for a better and more effective police service."

Phil Willis, Liberal Democrat MP for Harrogate and a prominent critic of the force's management failings, described the report as a "damning indictment" of the old regime.

Chronology

- August 1993 - North Yorkshire police presents a draft policy document to the police authority, outlining steps to stamp out sexual harassment.
- June 27, 1996 - Internal police federation report states that sexual and racial harassment and bullying are rife within the North Yorkshire force.
- September 1996 - Det. Con Libby Ashurst, 27, upset at treatment by several officers at Harrogate, leaves the force. She receives £130,000 and a pension of £18,000. PC Amanda Rose, who worked in same office, reportedly received £10,000.
- September 25, 1996 - PC David Anderson is asked to resign after being found guilty of four disciplinary

- charges, one of which was sexual harassment.
- January 8, 1998 - Disciplinary proceedings launched against NYP Chief Constable David Burke over his alleged "neglect of duty" while overseeing complaints of sexual harassment.
- January 19, 1998 - Action against North Yorkshire Police collapses as PC Ingrid Lowe, 25, declines to give evidence at an industrial tribunal to back up her claims of sexual harassment at Scarborough police station.
- January 22, 1998 - Former chief constable sacked him before he could explain his role in tackling sexual harassment, and threatens legal action.

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Political prisoners Nuku Sulaiman and Andi Syahputra (left and second left) were freed in Jakarta yesterday. East Timor leader Xanana Gusmao (far right) was visited by Derek Fatchett, seen with President Habibie

MAIN PHOTOGRAPH: ACHMAD ISRAHIM

Habibie urged to free Timor leader

Nick Cumming-Bruce and John Aglionby in Jakarta

THE Indonesian president, Jusuf Habibie, faced growing international calls for action over East Timor yesterday, on top of renewed domestic agitation for reform and international Monetary Fund pressure for stability.

The British foreign minister, Derek Fatchett, met the

jailed East Timorese leader, Xanana Gusmao, in Jakarta and later urged Mr Habibie to free the country's most famous detainee as a step towards resolving tensions over the former Portuguese colony Indonesia invaded 23 years ago.

Barely a week after taking over, Mr Habibie sought to deflect demands for accelerating change by agreeing to a new session of parliament to revise election laws. A general election would follow early next year. The presi-

dent's advisers said this would lead to a further session of the assembly to elect a president and vice-president. It was a gesture intended to distance Mr Habibie's government from the discredited Suharto regime, and came after he paid the first visit by a president to parliament in more than three decades. The government yesterday also announced the release of two more political detainees.

Like the timetable for elections, these moves were in-

tended to cool agitation. Mr Habibie was also aiming to persuade the visiting IMF director, Huhert Nais, to release the next tranche of cash under its \$41 billion (\$28 billion) bail-out which was suspended as Mr Suharto's government collapsed.

But the president ran the gauntlet of several hundred protesting students at the gate of parliament demanding his resignation.

Amien Rais, the opposition leader, condemned the election plan. The existing parliament was a "creation of the ancient regime" handpicked by Mr Suharto, he said, and it would be "more reasonable, more productive if we wait for a couple of months and have a real, genuine general election".

Mr Habibie received more encouraging reaction from Mr Fatchett, who urged the government to maintain political and economic reform.

Mr Fatchett, representing the European Union, welcomed the release of political prisoners, and joined calls made earlier by the United States, Australia and Portugal for the early release of Mr Gusmao. It would facilitate a "just, global and internationally acceptable solution to the problem", he said.

The government has promised to review the cases of all political detainees, but Mr Habibie's advisers say there is resistance from the armed forces to setting Mr Gusmao free. Officials accompanying

Mr Fatchett to the prison yesterday tried to discourage press questions to Mr Gusmao.

Mr Fatchett's visit focused on the British embassy, which is still being criticised for its failure to warn Britons of the situation in Jakarta as it slid into rioting and mob violence earlier this month.

Britons returning to Indonesia this week after evacuating to Singapore and Kuala Lumpur have told of their anger that the embassy did

not keep them informed during the two weeks that culminated in Mr Suharto's resignation last week. More than a dozen say they intend to write to the embassy to voice their grievance.

"I do not expect to be mothered day and night", said one woman returning with two children yesterday. "But the silence from the embassy was astonishing, particularly when other embassies were starting to evacuate their nationals."

Threats and killings disrupt run-up to Colombian election

Jeremy Lennard in Bogotá

COLOMBIA'S security forces will be trying to ensure that presidential candidates survive until Sunday when football-crazy voters take a brief break from World Cup preparations to go to the polls.

Campaigning closed last weekend amid death threats and bomb attacks on party offices. Andres Pastrana, the opposition conservative who has a commanding 17-point lead in opinion polls, but received at least 25 death threats during his two-month campaign. Horacio Serpa — the ruling Liberal party candidate — has had 18 in the last 10 days.

The incumbent president, Ernesto Samper, is leaving his successor with a number of headaches. His government has presided over a sharp escalation in the 34-year-old civil war, and an economic downturn after 50 years of stability. It has also been the subject of a far-reaching drug corruption scandal which has left ministers in jail and the public clamouring for change.

As Mr Samper's former interior minister, Mr Serpa has struggled to overcome his image as a representative of the old order. In contrast, Mr Pastrana has boosted his popularity with the support of Liberal anti-corruption rebels, including Alfonso Valdivieso — the former prosecutor-general who led investiga-

tions into the \$4 million funding of Mr Samper's campaign by the Cali cocaine cartel. But Mr Pastrana also hails from an establishment background. He is the son of former president Misael Pastrana, whose policies in the early 1970s did little for those outside the ruling elite. Some doubt whether either candidate will be willing to dismantle the clientelist system which elects them.

As ever in Colombian elections, the campaign has been dominated by violence from guerrillas and paramilitaries. In the run-up to last October's local elections, guerrillas murdered 20 officials and kidnapped hundreds. Some 2,000 candidates withdrew and voting was reduced to a sham.

This time the paramilitaries are pushing for the political recognition enjoyed by their leftwing enemies. A series of civilian massacres in guerrilla-dominated regions of the country was followed 10 days ago by a rare incursion into an urban area. Heavily armed men in combat gear stormed poor neighbourhoods in the city of Barrancabermeja, leaving 10 dead and at least 30 missing.

As well as being associated with Mr Serpa's political career, Barrancabermeja is the centre of Colombia's oil industry. A series of strikes and chaos which followed the killings isolated the city from the rest of the country for nearly a week, and caused petrol shortages in Bogotá.

Franco's brutal justice survives into the Nineties

John Hooper in Madrid

HUMAN rights observers have this week been given a rare glimpse into the workings of one of the world's least known — and least savoury — regimes.

In Malabo, the capital of the former Spanish colony of Equatorial Guinea, 117 people went on trial on Monday accused of separatist violence. The defendants, many of whom face the death penalty, are being judged at a summary hearing under a code of military law that has remained substantially unchanged since it was first imposed by the late Spanish dictator Francisco Franco in 1948.

Possibly because four of the defendants are Spanish citizens, the government has allowed foreign journalists to cover the proceedings and has agreed to the presence of observers from Amnesty International.

The defendants showed signs of apparent torture, but their complaints of mistreatment were dismissed by the judge, reports reaching Madrid said. Several were missing parts of their ears and told journalists in court they had been mutilated with razors.

Asked by the prosecutor to speak more loudly, one defendant replied: "I can't. My jaw was broken during the interrogations."

Others had burn marks or wore plasters over their nails. But the Spanish newspaper El País quoted Equatorial Guinea's information minister, Lucas Nguema, as saying: "I hadn't noticed [the apparent evidence of torture] — they may have tattoos or some custom".

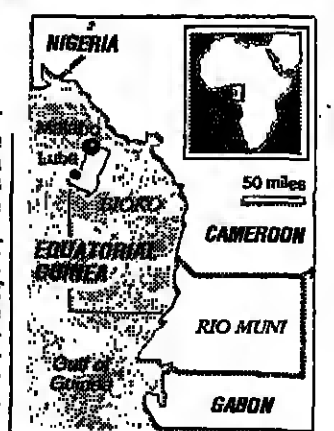
The proceedings appear not to respect even the demanding standards of Francoist military jurisprudence. The 1948 code laid down that summary justice could only be meted out to those caught in the act. Defence lawyers said this was the case for no more than one in five of the accused.

Some defendants are charged with sedition — an offence which their lawyers claim does not feature in the code.

On January 21, guerrillas of the Movement for the Self-determination of the Island of Bioko (MAIB) attacked three police stations in Luba, killing four soldiers and a civilian. Bioko is the seat of the administration and has been increasingly populated since independence by members of the mainland Fang tribe. The MAIB was formed in 1993 by

members of the Bubi tribe, which originally inhabited Bioko.

Equatorial Guinea has been ruled since 1979 by President Teodoro Obiang, who came to power following the overthrow and execution of his uncle. He was re-elected two years ago with more than 90 per cent of the vote in a



poll marred by claims of blatant fraud.

Fraud claim over Lesotho ballot

David Beresford in Johannesburg

EVIDENCE that last Saturday's general election to Lesotho was rigged is likely to bring more political turmoil to the former British protectorate.

The Lesotho Congress for Democracy (LCD) won a landslide victory with 78 of the 79 national assembly seats contested. The poll was endorsed enthusiastically by observers from the Southern African Development Community, who described it as "free, fair and transparent", and more

cautiously by Commonwealth observers. But opposition parties are planning protests.

It is suspected the main mechanism used to fix the result was the electoral roll. A South African firm of forensic consultants hired by the Basotho National Party carried out a statistical analysis of the roll which threw up some curious anomalies, such as the fact that eight times more voters were born on the first day of January than on any other day of the year.

There was also a curious tendency for them to be born on the second day of the second month, the third day

of the third month, the fourth day of the fourth month and so on.

The consultants also established that the independent electoral commission, which initially tried to prevent opposition parties from seeing the electoral lists, allowed 10 per cent of the electorate to register without providing their date of birth. Voters with similar or identical names were found on the lists.

There have also been reports from polling stations that the "indelible" ink used to mark the hands of voters when they had cast their bal-

lot — usually an effective last defence against multiple voting — could be wiped off with saliva.

The LCP was set up last year by the then prime minister and leader of the Basutoland Congress Party (BCP), Ntsu Mokhehle, in the face of a leadership challenge. Dissatisfaction with the election result could bring cross-border action by the Congress of South African Trade Unions, which represents 100,000 Basotho in South African mines. It is reported to have secretly decided in 1996 to work towards Lesotho's incorporation in South Africa.

Hizbullah attacks yards from Israel

Julian Borger in Jerusalem

HIZBULLAH guerrillas have ambushed and killed two Israeli soldiers in Lebanon, just yards from the border with Israel in an area previously thought to be under Israeli army control, Israeli and Lebanese officials said yesterday.

A bomb was detonated at the roadside as an armoured personnel carrier passed. The attack took place near the village of Maraba, in the Israeli-controlled security zone, at about midnight on Wednesday.

"The bomb was set off by someone relatively close to the force who could accurately see their movement," Brigadier-General Ed Eitam told journalists.

A Hizbullah statement issued yesterday said its fighters had been lying in wait and had opened fire on the patrol after the explosion. Two Israeli soldiers were also wounded. The ambush followed four days of Israeli air attacks on suspected guerrilla strongholds in Lebanon. There were

no reported casualties from the air raids.

The army said yesterday that it was investigating whether the Hizbullah guerrillas involved in the attack had been sheltered by villagers.

Public pressure is mounting in Israel for a withdrawal from the buffer zone, which the Israeli army has occupied since 1982. The government has offered to withdraw on condition it is offered security guarantees from the Lebanese government. But Syria, which dominates Lebanese politics, has so far refused to contemplate a peace agreement without an Israeli withdrawal from the disputed Golan Heights.

Meanwhile, the Israeli opposition leader, Ehud Barak, warned that the prime minister, Benjamin Netanyahu, would lead the country towards possible war unless he immediately accepted the United States proposal for a West Bank troop withdrawal. "As a former chief-of-staff, as a worried father and as a citizen, I want to tell you we

are heading for disaster," Mr Barak, the Labour Party leader, told a news conference. "Innocent citizens, women and children... will die here needlessly, for no reason and with no consequence."

In Ramallah on the West Bank, defiant Palestinian legislators yesterday said they would hold a vote of no-confidence in Yasser Arafat's government to protest at its inaction.

The vote, scheduled for tomorrow, would be the first since the 88-member council was elected in January 1996.

Several members of Mr Arafat's Fatah faction were among 28 legislators who backed the vote, a protest against the government's failure to approve a budget or implement laws, and Mr Arafat's failure to implement reforms following reports of high-level corruption and mismanagement.

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Relief as Danes set to approve EU treaty

Stephen Bates in Copenhagen

DANISH voters looked set to avert a major crisis in the European Union last night as the referendum on the Maastricht treaty was expected to be approved. The poll, which was held in the capital, Copenhagen, showed 56.9 per cent in favour of the treaty and 43.1 per cent against. It was a more comfortable majority than expected, or than opinion polls until the last day of the campaign had predicted. The full result was expected to be announced in the parliament, the Folketing, in Copenhagen late last night. Police reinforcements were standing by in the capital to forestall trouble from disgruntled opponents of EU membership. After the last referendum in 1993 there were riots in the city. A Yes vote will be a relief to the Social Democrat coalition government of Poul Nyrup Rasmussen, which negotiated the treaty last year and had warned that Denmark's position within the EU would be undermined if there was a No vote. But it also sent a wave of relief across Europe because the treaty cannot go into force until it has been ratified by all 15 member states. It was feared that Denmark might reject it. Most EU members, including Britain, are only subjecting the treaty to parliamentary ratification, not a referendum. A referendum in the Irish Republic approved the treaty last week and a similar vote in Portugal in

the autumn is expected to accept it too. Six years ago the much more far-reaching and contentious Maastricht treaty was delayed for a year when a Danish referendum voted narrowly to reject it, unleashing a wave of scepticism across Europe, especially in Britain, and causing turmoil within the EU. The Danes only finally approved Maastricht after negotiating options. Danish politicians in favour of the new treaty had warned that a new rejection would leave Denmark isolated and might even have forced it to leave the EU or renegotiate the terms of membership. Both they and other member states had made clear that there would be no chance of a replay. The Amsterdam treaty, intended to lay the ground for the EU's enlargement, is a complex 140-page document. It chiefly concerns committing the EU to action against unemployment, the improvement of human rights and equality, joint action to combat international crime and increasing the openness of European institutions. Even its opponents in Denmark admitted its effects were limited. Instead debate centred on whether Danes should give up more decision-making and national sovereignty to the EU. In particular there were worries about controls over the border as part of the separate Schengen agreement aimed at ending controls at internal frontiers within Europe. The Danish parliament approved the border agreement three weeks before the Amsterdam treaty was negotiated, inextricably linking the two in voters' minds.



Danish Prime Minister Poul Nyrup Rasmussen and his wife vote in Copenhagen yesterday on the Amsterdam treaty

'Horror house' family charged with baby deaths

Jon Henley in Paris

THE French authorities said yesterday that four babies had been murdered by the two brothers who fathered them by repeatedly raping their sister, and then buried in the garden of an isolated house in northern France. The state prosecutor in Lille, Olivier Guérin, said the babies' mother, Patricia Lefranc, aged 26, and her brothers Dominique, aged 23, Didier, aged 31, and Patrick, aged 35, had given full confessions which concurred "in almost every respect". All four had been charged, with offences ranging from failing to prevent and report a crime to rape and murder, he said, adding that the facts of the case were "a terrible indictment of our society's indifference to those living on its margins". About 60 police officers and forensic experts have been digging up the yard behind the Lefranc family's run-down house outside the small village of Illies, near Lille, since Monday, and will continue until all the material evidence has been assembled, Mr Guérin said. Details of what the French media have dubbed "the house of horrors" emerged after Ms Lefranc and her two elder brothers were remanded in custody earlier this month, accused of ritually abusing their father Paul, aged 67. The three children alleged-

edly beat their father, forced him to sleep in a rabbit hutch, and made him eat from a bowl he shared with a dog which they had trained to attack him. Mr Lefranc, a retired miner and farmworker, is now in a nursing home in nearby Cambrai, suffering from "severe emotional and physical traumas", a police spokesman said. Locals told the police they had seen Ms Lefranc pregnant on several occasions, but never with a baby afterwards. While in custody, she told the police that she had been raped by all three brothers, and that the babies had been murdered and buried behind the house. "These atrocities went on over a period of some 10 years," Mr Guérin said. "They sprang from alcoholism and took place in an environment in which all moral barriers seem to have completely disappeared." The mother of the family, Lucie, aged 67, was charged with failing to prevent a crime. She was present at the birth of all four babies, Mr Guérin said. She and her youngest son Dominique were taken in for questioning earlier this week. Both backed Patricia Lefranc's statement, police sources said. The two older brothers, Didier and Patrick Lefranc, have been charged with rape and murder and could be jailed for life, while the mentally subnormal Dominique faces 20 years in prison for rape.

Kosovo fears prompt Nato military exercises

Reuters in Luxembourg

NATO yesterday ordered military exercises in states bordering the troubled Yugoslav province of Kosovo and said it had not ruled out any option in attempts to prevent another Balkan war. Straining that they had taken no decision to deploy troops, Nato foreign ministers said they had ordered exercises in Albania and Macedonia and commissioned plans for preventive deployments on Kosovo's borders. The ministers pledged that

the alliance would not be caught unprepared as it had been by the Bosnian war in 1992. Nato had been asked "to consider the political, legal and... military implications of further possible deterrent measures". They did not specify what these might include but they would "have some bearing on stopping the violence". The United States secretary of state Madeleine Albright said: "I'm afraid that if we wait for the parties on the ground to act, we will only see that it is too late to prevent disaster."

Straw risks row with Turkey on refugee camps

Martin Walker in Brussels

THE Home Secretary, Jack Straw, put Britain on a collision course with Turkey yesterday by insisting that camps for refugees or asylum-seekers in Turkey run with European support be monitored by the United Nations. European Union officials were told by Turkey in March that it wanted the UN High Commissioner for Refugees excluded, according to a restricted European Council report obtained by the Guardian. Turkey, one of the main routes into the EU for asylum-seekers and illegal immigrants, is offering to co-operate with Europe to stem the

flow in return for funds and technical support. Up to £10 million is on the table. But Ankara is also trying to use the issue to maximise its leverage with the EU, which last year spurned Turkey's application to join. Mr Straw's insistence on bringing in the UN refugee agency could complicate the role of British foreign policy in resolving Turkey's row with the EU. Ankara has offered to set up "reception houses" where illegal immigrants could be held pending their removal. According to the document obtained by the Guardian: "The presidency [Britain] and the commission indicated that this could be a project where EU expertise and funding might be of benefit."

"The Turkish authorities did not see UNHCR involvement in the reception houses as appropriate, since only illegal immigrants would be held there, nor were they happy to see closer co-operation generally on this issue with UNHCR," the document continues. One of the main issues cited in the EU's rejection of Turkey's membership application was its human rights record. While Turkey insists on the phrase "reception houses", these would have to be so large as to be indistinguishable from camps. Turkey claims to have deported 16,000 illegal immigrants heading for Europe last year. Mr Straw's commitment was welcomed by human

rights watchdogs yesterday. Britain's Refugee Council, and Tony Bunyan, director of Statewatch, the Europe-wide civil liberties group, said they would hold Mr Straw to his promise. Statewatch first raised the prospect of unmonitored refugee camps. "It is not enough simply for UNHCR to have access to the camps," said Nick Hardwick, the director of the Refugee Council. "They should be allowed to assess people's claims for asylum, and those entitled to international protection must be offered sanctuary in Europe." Different EU countries are to take the lead in helping Turkey with various aspects of the plan to use the country as a buffer to block illegal immigrants. Britain will help

Ankara to speed up repatriation of asylum-seekers from India and Pakistan. The main problem facing the Turks is determining which refugees are genuine. Many are Iraqi Kurds, often indistinguishable from Turkish Kurds who have been engaged in a long-running guerrilla war with Ankara. "We have made a clear distinction in all our discussions with Turkey between asylum-seekers and illegal immigrants, and we are keeping UNHCR fully in the picture," said a British spokesman.

in a long-running guerrilla war with Ankara. "We have made a clear distinction in all our discussions with Turkey between asylum-seekers and illegal immigrants, and we are keeping UNHCR fully in the picture," said a British spokesman.

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News in brief

War crimes suspect held

British troops in Banja Luka, Bosnia, yesterday detained Milojica Kos, a former commander at Omarska prison camp. The Bosnian Serb is charged with crimes against humanity, writes Richard Norton-Taylor.

S-For, the Nato stabilisation force, has now detained eight indicted suspects. A further 16 have surrendered to the Hague war crimes tribunal.

Compromise call

Burma's National League for Democracy yesterday ended a two-day gathering of some 400 members with an appeal to the ruling junta to compromise. "We will keep on asking the government to hold dialogue as early as possible," said the league's leader, Aung San Sun Kyi. — Reuters.

Philippines hurdle

Opponents of the new Philippines president, Joseph Estrada, yesterday appeared to have won control of the lower house, which could make it difficult for him to pass proposed reforms. — Reuters.

No Swedish retrial

Sweden's supreme court yesterday rejected an application to retry a man convicted and

then acquitted of the murder in 1986 of prime minister Olof Palme. A panel of five judges decided new evidence presented by the state prosecutor's office was not strong enough to warrant a retrial of Christer Pettersson, aged 51. — Reuters.

Mass grave found

Investigators in Honduras have discovered the remains of 98 people in a mass grave, including those of James Francis Carney, a former US priest. He was among about 100 guerrillas captured by the Honduran army in September 1982. — AP.

Pardon expected

The German parliament was last night set to pass a landmark bill to give a mass pardon to some 500,000 Germans unjustly convicted by the Nazis. Many were jailed, sent to concentration camps or executed. — Reuters.

Comedian dead

Actor and comedian Phil Hartman, who impersonated Bill Clinton on the US television programme Saturday Night Live, was found dead at his Los Angeles home yesterday. He and his wife had been shot. Police said they were working on the theory that Brynn Hartman killed her husband before committing suicide. — Martin Kettle.

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Rouble trouble in the new world order

Rates soar

Average % yield for Russian government bonds within 90 days



As Asia's financial crisis turns Eurasian, Guardian writers examine the source and impact of the pressure on a currency protected by Boris Yeltsin at the cost of millions of livelihoods

Larry Elliott
Economics Editor

BACK IN 1990, when communism collapsed and Germany was reunited, George Bush talked about the creation of a new world order based on *laissez-faire* capitalism. "We know what works," he intoned gravely. "Free markets work."

Free-market capitalism had emerged triumphant from the long fight against socialism and the blueprint would be exported across the globe.

The prescription was universal — open up markets, scrap controls on capital, hear down on inflation, privatisation. Russia provided the perfect testbed for the gurus of *laissez-faire*. After more than 70 years of command economy, its 147 million people were effectively turned into laboratory mice for a gigantic experiment in free-market economics.

So far, things have not quite gone according to plan. Far from seeing the "end of history", as Francis Fukuyama promised, the 1990s have seen unprecedented mayhem across the globe.

First there was the deep recession in the United States and Britain, then the speculative attacks on the Exchange Rate Mechanism. In late 1994, while unemployment in Europe was climbing to 18 million, hot money flooding in and out of Mexico triggered a financial collapse; last year a run on the Thai baht sent the dominoes tumbling across east Asia.

Now it is Russia's turn to feel the power of unfettered global financial markets, with interest rates jacked up to 150 per cent to stem the speculative flow out of the rouble. Economists say prohibitively dear money is the last thing Russia needs, but in the short-term there is no alternative.

Overall, the global economy in the 1990s has been marked by regular and virulent bouts of financial instability which have destabilised economies, reduced growth and increased poverty in the countries affected. Financial speculators, on the other hand, have done

extremely well. When their gambles have paid off they have cleaned up; when they have stood to lose vast sums, the International Monetary Fund has stepped in to prevent banks going under.

The freedom of capital to move around the world at will has increased the risk of chain reactions. Analysts believe Russia has caught a dose of "Asian flu", and that there is a real risk of the contagion being passed on to other emerging markets, such as Brazil, or returned with redoubled virulence to the Far East.

Brian Henry, professor of economics at the London Business School, said: "This is what you get when you have free capital movements. We have gone too far with the liberalisation process. The speed with which money can move around the global economy causes instability and a herd instinct."

He says Russia needs fundamental economic reforms and is desperately short of long-term investment. He also believes that the one-size-fits-all IMF remedy of scrapping capital controls may have made stability and growth more difficult to achieve.

Professor Richard Layard of the London School of Economics, who has advised the Yeltsin government, agrees, and says the IMF and G8 need to step in with a \$10 billion stabilisation fund to put a floor under the rouble and deter speculation. But there are signs that some of the *laissez-faire* devotees are starting to have second thoughts.

Earlier this year the World Bank chief economist, Joseph Stiglitz, strongly attacked the "Washington Consensus", saying: "All too often the dogma of liberalisation became an end in itself, not a means of achieving a better financial system."

The IMF is now split between those who still adhere to the dogma and those who are starting to ask why Chile, with strict controls on hot money, has emerged unscathed from the recent financial turbulence. In Santiago they have a simple answer: prevention is better than cure.

Days of wine and wilting roses for stranded holidaymakers

Tom Whitehouse in Moscow

PREOCCUPIED with the price of roses, threatened holidays and imminent economic collapse, Russians yesterday braced for devaluation.

"I buy all my flowers abroad and with the rouble going down everything is going to be more expensive," said Galina Levchinko, a florist.

Most consumer goods are imported, so a weaker currency has an immediate inflationary impact. Wealthy Russians are also angry.

"Looks like my summer

holiday in Europe is off," said Vera Tyshenko, a student at Moscow University. "For a woman of my age, travelling abroad is one of the few new freedoms I can really value, but now it's going to be too expensive."

As governments all over the world know, middle classes regard their currency as a national virility symbol. The few Russians who have grown accustomed to shopping holidays could prove a more vocal source of opposition than the millions of unpaid miners, teachers and soldiers whose complaints have long been ignored.



A hungry pensioner looks for leftovers in a rubbish bin in Moscow yesterday. Russians are braced for a currency devaluation that would hit spending power

PHOTOGRAPH: MICHAEL METZEL

Greedy banks starved of cash as Muscovites rely on their wallets

James Meek in Moscow

INHERITING the macho Soviet idea that only homosexuals would carry big purses, Russians call the hulging leather bags "pederastki". The outside wallets, preferably adorned with Gucci labels, have become a symbol of Moscow's new rich. The hulgers are cash, great wads of it.

Seven years after the collapse of communism, a decade after the first commercial banks opened their doors, Russians have yet to embrace personal banking. There are no chequebooks. There are few credit cards. Keeping your money in a bank is still regarded as an act of madness.

"What's the sense? Inflation is higher than the interest rates they pay, and the risks are too high," said a partner in a power generation company. "Our banks collapse... [they] are practically

incapable of keeping accounts confidential. Many criminal elements are working in the banks."

Most businessmen, whose savings should be fuelling the economy, open small accounts for only one reason — to get a credit card for overseas trips, so they do not have to declare how much money they are taking with them.

Fear, suspicion, the shadow economy, a greedy, self-destructive banking system — all these factors led to the latest assault on the teetering rouble.

Economists and financiers were clamouring yesterday for emergency loans to stave off a devaluation that they say would have no lower limit once begun.

Yet without a reform of the deformed economy there is no guarantee an injection of up to \$5 billion would bring anything more than short-term relief.

According to Andrei

Piontkowski, a political commentator, the economy is so distorted that every subject of it becomes an accomplice to, or a victim of, some form of cheating — usually both.

"Why don't the miners have money?" he asked, referring to the unpaid coal workers. "Because the consumers of their coal don't pay for it. And yet the mine bosses go on supplying the coal. Why? Because the consumers give them 5 per cent of the cost, in cash, in their pockets."

Economists say there is not enough money in circulation, although they disagree about the cause. The commercial banking system seems to be the prime culprit. Many banks —

whose desperate selling of shares to meet their obligations caused this week's stock market crash — will probably go under whether or not the rouble is devalued, and optimists hope

better ones will emerge. "Russia's banks aren't big enough," said Rupert Rucker, emerging markets manager for small companies at Robert Fleming in London. "The entire banking assets of Russia are smaller than those of the Royal Bank of Scotland... Most of the money's either gone abroad or it's hidden under mattresses."

"That's not going to go into banks until people have confidence in the banks and the government."

Analysts suggest Russians have a staggering \$30 billion in cash stashed away. About \$15 billion is thought to have left the country last year.

Despite the crisis, many observers sympathise with the government, saying it has taken steps in the right direction. "They've done a hell of a lot," said Mr Rucker. "They've just got bad PR. And they've got an awful lot more to do."

Three wise men pass judgment

LEFT

Moisei Gelman, economic commentator for *Pravda* newspaper

AN ARTIFICIAL liquidity shortage has been created, leading to an imbalance in the turnover of goods and money. This has created the non-payment crisis, including non-payment of taxes. This forces the government to borrow.

In Russia, 90 per cent of goods produced are not made in response to monetary demand. Money circulates in speculative markets. Because of the lack of money, inflation has fallen, but official estimates of inflation are still three times too low.

The shortage of roubles in circulation and inflation are the main reasons for the crisis. The panic in east Asia, plus the size of the debt pyramid, nudged events over the edge.

Devaluation is necessary. Increasing interest rates will not solve the problem. To normalise economic turnover, more money should be issued. But for this, government, inspired by the dogma of pseudo-monetarism, the only solution is devaluation.

CENTRE

Mikhail Berger, editor of *Sevodaya* newspaper

ONE of the main reasons for this severe crisis is the tendency of our top officials to speak without choosing their words carefully.

Two weeks ago, the head of the central bank, Sergei Dubinin, and the finance minister, Mikhail Zadornov, said that if the policy of borrowing money using bonds persisted, the country could expect a financial crisis. A month ago, Mr Dubinin

spoke of a possible devaluation. Last Friday the prime minister, Sergei Kiriyenko, said IMF money would be needed to redeem bonds. As a result, the market crashed.

There are no purely economic reasons for what is happening now. It's a sociological thing.

The situation has started to correct itself. The government must take a tougher approach towards tax evaders. Within a few days interest rates could begin to fall.

RIGHT

Al Breach, economist for the Russian-European Centre for Economic Policy, Moscow

THE Russian economy was improving well in 1997. Then the Asian crisis came along and revealed three underlying problems.

You have a large budget deficit, but that has begun to be sorted out. The second problem is that the banking system is terrible — Russians are not using it.

The third difficulty is that Russia has too much rouble-denominated debt. Because local banks do not have enough money to buy government debt, foreigners have been allowed to buy rouble bonds. When they realised the banking system was weak they began to demand higher interest rates.

Paying these further reduced the central bank's reserves, which squeezed the amount of money in the economy, which weakened the Russian banking system.

What is needed now is a strong signal from Western governments that they will lend money to increase the reserves. That would calm things down while the problems are tackled.

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Analysis Consumer choice

Big name brands have taken umbrage at seeing their upmarket products on offer at down market prices. Now the saga has taken a fresh twist with allegations of sales of fake goods. **Mark Milner** and **Dan Atkinson** look at the tussle that has set super marques against supermarkets.

Desirable designers in supermarket sweep

Alongside the family groceries, shoppers at 300 Tesco stores around the country could yesterday pick up a World Cup football shirt. To the delight, no doubt, of parents pestered by offspring enthused by the imminence of France 98 the shirts were priced at £3 — a 25 per cent discount in the usual retail price. The shirt maker, Umbro, however, was less than pleased.

Behind the sudden availability of thousands of England and Scotland soccer shirts amid the ranks of cereal tins and packets of baked beans is a bitter power struggle. In one corner is a range of companies which have built up their products into premium brands — name like Calvin Klein or Nike — that consumers will pay lightly to be seen to be wearing or owning. In the opposite corner are supermarkets and, latterly, warehouse clubs, which argue that

the designer label phenomenon is little more than a "brand tax" on consumers. The supermarkets are now seeking to offer branded goods on their own terms.

The key to the battle is access to sought-after labels. The brand owners, jealous of their products' status and the prices they can command, seek to control the outlets through which they are sold, a strategy known as selective distribution. Those deemed "inappropriate outlets" try to circumvent the restraints by picking up stock, in defiance of the brand owners' prohibition, through the so-called grey market.

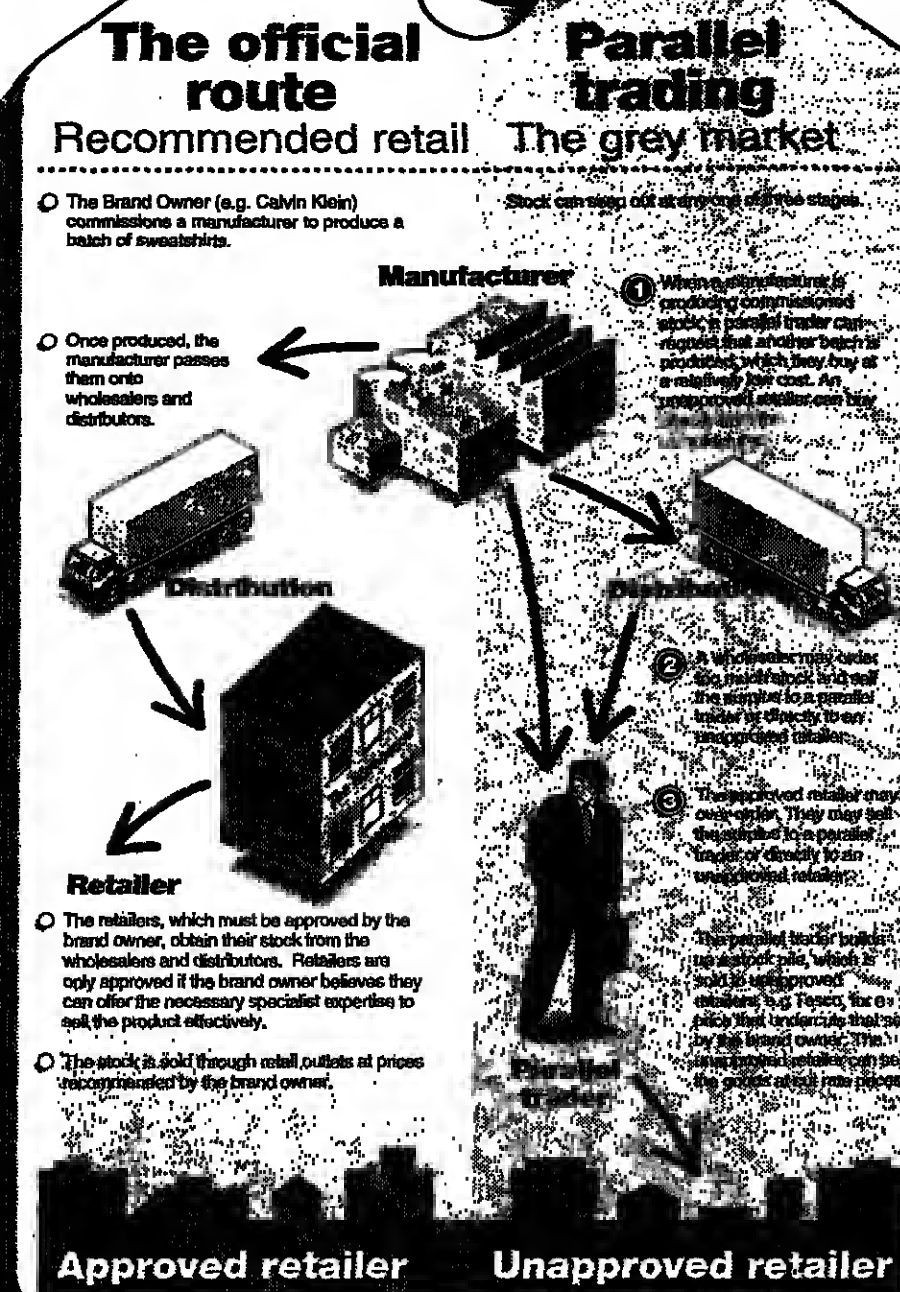
Insiders say the grey market draws on three main sources. First there are the manufacturers who produce the branded goods under licence. They may over-produce and make the surplus available to the grey market. Manufacturing is often carried on at a series of locations around the world, making it hard to keep track of exactly how much has been produced. Then there are wholesalers who distribute with the brand

owners approval but who may pass on part of their stock to less than approved channels. Thirdly there are approved retailers who may be prepared to let part of their stock go at a lower margin to the supermarket.

The grey market system is not illegal, though it might not correspond to everyone's view of best business practice. In this slightly shadowy world (sources, inevitably, are a closely guarded secret) middlemen play a key role. Their job is to alert unapproved retailers to opportunities to get hold of branded goods or to help them accumulate sufficient stock for them to be able to run a high profile sales campaign featuring a top name brand. Occasionally stock can be picked up by the warehouse full. On other occasions it can take several months, perhaps even a year, to achieve critical mass through accumulation.

The brand owners' anguish is not hard to understand. Earlier this year Tesco offered Nike Air Max Metallic trainers at £60, half the usual price

Shades of grey



Get your kit on... Tesco takes the lead on England strip

PHOTOGRAPH BY GRAHAM TURNER

that they are the consumers' friend, that they are bringing price competition to the market and "aspirational" products within the scope of more customers. Not surprisingly the brand owners have a less charitable view. They reckon the high profile sales of cut-price designer goods are designed to get more shoppers through supermarket check-outs.

There are those who wonder whether the designer labellers versus the supermarkets is all a fuss over nothing. Clive Vaughan at retail analysts and consultancy group Verdict notes that while the discounts are steep, the volumes of designer label goods actually sold by the supermarkets is relatively modest. Tesco is reported to have sold some £20 million worth of grey market products last year. That compares with total turnover for Tesco of not much short of £18 billion.

Promotions like the World Cup soccer shirts are essentially opportunistic, while what customers tend to look for is reliability of supply, according to Mr Vaughan.

"They want to know when they go into a shop they can be certain that the products they want will be there."

THOUGH they attract the most publicity, designer labels are not alone in offering a scope for what is sometimes called parallel trading. Manufacturers may seek to present and price a product differently in different markets. Take Stella Artois lager — "reassuringly expensive" in Britain, but in its native Belgium it is a mainstream lager and considered nothing special by the discriminating Belgian beer drinker. Entrepreneurs who can buy goods in a low priced market and then ship it to one where they command a higher price stand to make money.

In a bid to halt the trade, producers draw up tight supply agreements with their wholesalers in low-priced markets prohibiting sale to customers outside the national boundaries. But there are ways and means

around this. One of the most common is for the wholesaler to set up a dummy company inside the low-priced market and to "sell" to that company, which proceeds to sell on to a parallel trader in a high-priced market. Paul Carratu, of London private investigator Carratu International, said that what ensues is a cat-and-mouse game across Europe, as multinationals employ teams of private detectives to find out which wholesalers are leaking stock abroad.

Exchange rate differentials provide an opportunity, too. Back in 1992, when the Italian lira fell out of the exchange rate mechanism, French car makers found their vehicles suddenly much more expensive in lire terms. To keep market share in Italy, one maker, Renault, held its price in local currency terms at the expense of its profits margins. It did so only to find that Italian dealers were overordering for their domestic market in order to sell cars back into France where higher prices prevailed. In theory the introduction of the single currency might curb parallel trading by removing exchange rate

opportunities. Observers note however that it might encourage the trend by making it easier to spot differentials between national markets.

In the meantime, however, attention will remain focused on the struggle between the up-market brand-owners and those who reckon image can still stand a price cut. Their struggle is far from over. Indeed the Hilfiger court action might open a whole new chapter. Still, as the World Cup opens next month, thousands of British parents will be able sit back as their children romp around in their favourites' colours more cheaply than they might have expected. Unless, of course, the team switches to the away strip. But that is another ball game altogether.

Graphics sources: Asda Superstores; Tesco Stores Ltd. Graphics: Finbar Sheehy, David Turner. Research: Jane Crinion. Mark Milner is Deputy Financial Editor of The Guardian. Dan Atkinson is a Financial Reporter for The Guardian and co-author of the newly-published book "The Age of Insecurity".



Tariq Ali on Pakistan's bomb 12

Cheap scent

Parfums de Chanel, 100 RRP: £29.95 Asda Price: £22.95

Hugo Boss de Toilette, 100 RRP: £29.95 Asda Price: £22.95

Jean Paul Gaultier, 100ml RRP: £29 Asda Price: £17.95

Rive Gauche Eau de Toilette, 75ml RRP: £22.50 Asda Price: £16.25

Parfums de Chanel, 100 RRP: £29.95 Asda Price: £22.95

Parfums de Chanel, 100 RRP: £29.95 Asda Price: £22.95

Box and more

United England Football Shirt (adult) RRP: £25 Tesco Price: £23

United England Football Shirt (youth) RRP: £25 Tesco Price: £23

United England Football Shirt (youth) RRP: £25 Tesco Price: £23

United England Football Shirt (youth) RRP: £25 Tesco Price: £23

United England Football Shirt (youth) RRP: £25 Tesco Price: £23

Box and more

United England Football Shirt (adult) RRP: £25 Tesco Price: £23

United England Football Shirt (youth) RRP: £25 Tesco Price: £23

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The Guardian

Friday May 29 1998
Edition Number 47187
119 Farringdon Road, London EC1R 3ER
Tel No: 0171-278 2332
Fax No: 0171-837 4530
E-mail: letters@guardian.co.uk
Website: http://www.guardian.co.uk

The nuclear precipice

Time to set targets

PAKISTAN'S test has taken south Asia across a dangerous threshold — and the rest of the world with it. The nuclear club has been enlarged for the first time since China joined it in 1964. This time it brings in not one single power but two, both already locked in deep-set hostility, across a common border and with a slow-burning fuse in Kashmir. All this is happening in a post-cold war world where healthy economic rivalry under the flag of globalisation was supposed to replace out-dated territorial antagonisms. Western complacency could hardly have got it more seriously wrong.

That complacency had already given way to a sense of hopelessness after the Indian tests. Suddenly the anti-proliferation rhetoric in which the Nuclear Five clothe their own arsenals was revealed to be threadbare. On Wednesday, the eve of Pakistan's test — Washington was still dithering about what sort of guarantees might induce Rawalpindi to exercise restraint. The only one which appeared to suffice — a categorical assurance to come to Pakistan's assistance if it were threatened by India — was not on offer. Nuclear guarantees so freely extended in the cold war are no longer available.

The Birmingham G8 summit had already set a dismal example, deploring the "nuclear tide" but failing to come up with any idea on how to turn it back. The only strategy was to urge India to "come into the Comprehensive Test-ban Treaty process".

No doubt the same invitation will now be extended to Pakistan.

It is only a few years since the discovery of Saddam Hussein's plans in the Gulf war led to much heart-searching on the subject of proliferation of weapons of mass destruction. How much time and effort since then has been expended on exploring the nooks and crannies of Iraq's putative capability. This concern over "rogue" states has been a diversion from the real task of constructing an international environment which would deter those with more sober, but equally alarming, nuclear intentions. It is not simply that India and Pakistan have lifted themselves above the nuclear "threshold". It is that by doing so they have reduced whatever deterrent value that threshold may have in future. It is unlikely that the two countries will line up readily to accept the CTBT, but if they do, will this not legitimise the route they have pioneered for others to follow?

The charge of double standards against the Nuclear Five remains unanswerable on any principled ground. In fact the only defence for their monopoly has been that of history: it happened this way, so let's at least make sure it remains this way. The moment that the monopoly is breached then the argument falls. The question now is not how to persuade new nuclear members to sign up to the CTBT — once they have tested. It is how to dissuade them from beginning to take this road. The only way of doing this, we now see even more clearly, is to hold out the prospect — in real and achievable terms — of progress towards a nuclear-free world (a goal to which the Five have paid lip-service in the Nuclear Non-proliferation Treaty). This would require a declaration endorsing minimum deterrence as an immediate goal — and minimum means tens, not hundreds or thou-

sands, of weapons — plus abolition of nuclear weapons as the longer-term aim, with a definite timetable and targets for both. Such a project can no longer be dismissed as starry-eyed or impracticable. The Five are now obliged to answer a simple question: by what other means can more nuclear proliferation be prevented?

Pay-off for poor

Wage floor is part of package

THE TIMING seemed significant. On Wednesday afternoon, the 400-page report from the Low Pay Commission recommending a minimum wage of £3.60 an hour came thudding down on the Prime Minister's desk. By one of those quirks of fate, a few hours later Tony Blair was due to speak to the Confederation of British Industry's annual dinner. And, by an even bigger coincidence, the news leaked out an hour before the Prime Minister sat down for quail, lamb and cream brulée in the ballroom of the Grosvenor House hotel flanked by the CBI's top brass.

So does this mean a victory for the bosses and a defeat for the workers? In a crude sense, it obviously does. The CBI has made it clear that it can live with a figure of £3.60 an hour — pretty much the going rate already in fast food restaurants, for example — while the TUC was looking for something closer to £4 an hour. Having been thwarted by the CBI over recognition, the unions have apparently now also lost the battle over the minimum wage.

But once the dust has settled, the unions may find that there are reasons to be relatively cheerful about the deal on offer. The first is that the principle of the minimum wage has been established: Britain's

labour market may be flexible but it will no longer be unfettered and unregulated. The Government has accepted that it has a permanent role in the wage-setting process. The second is that the lower rate — coupled with the £3.20 level for those aged 18-21 and the complete exemption for the under-18s — will almost certainly mean that the baleful consequences of the minimum wage predicted by the right will not materialise.

The reason the Government supports a lower rate for the under-21s is that it fears a higher level would jeopardise its election pledge to reduce youth unemployment through the New Deal. That no longer looks a real risk and indeed there may be positive spin-offs for the economy overall if employers seek to improve the productivity of their staff. Finally, the minimum wage needs to be seen not in isolation but as part of a package with the changes in the Budget, particularly the Working Families Tax Credit. According to evidence presented to the Commission by the Government, a lone parent with one child working a 35-hour week would be on £6 an hour, not £3.60, once the tax credit, housing benefit and child benefit were added to basic pay.

Of course, the proposals are not perfect from the TUC's point of view. The Government's message will cut little ice, for example, with low-paid workers without children. But in time, they may come to be seen as both reasonable and workable.

Mobile manners

Hanging up the Queen

"ONE would like to have a one-to-one with you." We cannot know for certain if those were Her Majesty's exact words when she called Tony Blair on his mobile phone, but

it's fun to imagine. Just as Kate Moss dreamed of connecting with Elvis Presley, John McCarthy with Yuri Gagarin and Ian Wright with Martin Luther King, we now learn that the Queen's fondest hope was to have a one-to-one with her Prime Minister. But — just like the celebrities in the TV ads — her dream was frustrated.

Apparently the monarch called Mr Blair just as he was boarding a plane to Belfast last month. "It was the first time she had called on the mobile," he told a studio audience for the Des O'Connor show, to be broadcast next week. "But the pilot turned round and said, 'Switch the phone off.'" The PM protested that it was the Queen on the line, but the pilot was adamant. "I don't care who it is, mate, rules are rules," he said. Mr Blair promptly told Her Majesty he couldn't speak right now, and that he would have to call her back.

The politics of this move are interesting: not only did Tony Blair hang up on the monarch, he also saw fit to tell a primetime audience all about it. Just as Ronald Reagan let it be known that he fell asleep during Cabinet meetings — so downgrading the importance of his colleagues — was Mr Blair ever-so-subtly putting the Palace in its place? Equally fascinating is the inevitable debate the PM has stirred on cell phone protocol: the manners of the mobile. Is it rude to start a call in a public place like a restaurant, a train — or even a plane?

Perhaps Her Majesty will ponder these thoughts. Or, now that she's in the mobile habit, maybe she'll choose to call a few other politicians.

Perhaps she should start with Ian Paisley, who this week attacked her as "foolish" and a "parrot". After all, she could open her remarks with a few choice words of support, by reminding Dr Paisley, "The future is Orange".

Letters to the Editor

From jeune to Arsene

AJAS, the original meaning of *jeune* (Simon Hoggart's Diary, Saturday, May 28) is indeed long gone. As with so many words, the metaphorical sense becomes so much stronger, the original literal sense is almost lost. Your suggestion of association with *jeune* sounds plausible, though almost impossible to authenticate. I have studied the examples in our 323-million word bank of English; all examples tend towards the "unsophisticated" sense. I'm afraid Humpty Dumpty operates as much as we may regret the passing of particular meanings, none of us can hold back the changes in language, not even lexicographers. Diana Treffry, Editorial director, Collins English Dictionaries, Glasgow.

YOU reported (May 26) that Desmond Wilcox (57), producer of the BBC documentary *The Human Body*, had been taken by air ambulance to hospital for an operation in which veins from his leg were grafted on to his coronary artery. You have since reported he was in fact 67, was not involved in *The Human Body*, was not moved by air ambulance, and had a catheterisation, not a graft. Would it not have been simpler to say you were not talking about Desmond Wilcox? Mary Moens, Edinburgh.

A Baker (Letters, May 26) Asks: "Isn't it time this country stopped selling arms to anybody?" Why not stop making the things? Tony Argandoña, Oxford.

SO Arsene might sign Arsenal for Arsenal (Sport, May 27). Surely this would be a fundamental error. Harry Bovis, London.

An inspector calls foul

WHILE offering the proverbial duck's back to the cascade of personal abuse from Roy Hattersley (A ridiculous inspector, May 26), there are three issues I cannot ignore. First, I refute categorically, as I did before the parliamentary education sub-committee in February, the allegation that I have ever tampered with HMI evidence in order to make a report on a local education authority — or any other subject — reflect my personal views. As Her Majesty's Chief Inspector and head of HMI, it is my job to ensure that our reports and publications are based on rigorous inspection techniques and sound evidence and that they convey their important messages clearly and unequivocally. If

that sometimes requires editing and reediting, so be it. Second, decisions on whether to publish a report or, indeed, to produce a report at the end of a piece of work are based purely on whether Ofsted corporately believes there is something worth saying, which will contribute significantly to public knowledge and the educational debate. If not, we prefer to find a better use of the public resources with which we are entrusted. Thirdly, I do not flatter myself that the question of my contract as Chief Inspector is of remote interest to the general public. I have never sought to "encourage" the press to speculate about it. I have simply, and increasingly wearily, responded to questions prompted by others, such as Lord Hattersley, who

seem to be unhealthily obsessed by it. Chris Woodhead, Ofsted, London.

ROY Hattersley's objections to the Chief Inspector are understandable, but he overlooks the fact that Mr Woodhead is doing us all a favour by convincing more and more people that mass compulsory schooling is obsolete. In the climate he has created it is possible for the principal of Banbury School, Anita Hingham OBE, to declare that "we are in the death throes of secondary schools..." without being the subject of ridicule. This outcome may well be unintended but it is, nevertheless, a considerable achievement. Roland Melghan, Nottingham.



Female, fifty and fed up

HAS Yvonne Roberts (Who's Afraid of 50? May 26) forgotten the sapping effects of the menopause with its constant tiredness and sudden depletion of energy levels at awkward times? The older generation is declining and dying and all the while, we think "in due course, it will be my turn". Facing up to those unpleasant facts is the problem. Cher may have acknowledged it, but failed to find a solution. Is there any real help on offer other than cosmetics and BHT? Margaret Roberts, London.

THANK you, Polly Toynbee, for mentioning the silent women who have sacrificed

their self-sufficiency in the name of motherhood (May 26). We come from the in-between generation, the ones who were expected to nurture a family and be intelligent companions to our spouses. We are married to men who don't turn a fortune, we never had sufficient money to take out a pension as we work part-time and can't afford to give up our jobs to retrain. We spent our meagre earnings on music lessons and field trips for our children.

So here we are, daughters of the sixties, still beholden to a man for our livelihoods in middle age, with more of the same ahead of us. Equality? Lyn Wood, Worcester Park, Surrey.

God knows

ALAN Pavelet (Letters, May 26) asks me to inform him who was responsible for the 3,000 killings in 25 years in Northern Ireland. God or people. The answer in the case of sectarian murders is both. Tony Morris, Oxford.

MY father's point (Letters, May 26) was that human beings, and human beings alone, are responsible for their

past, including the tragedy of Northern Ireland. But we alone are also responsible for our own destiny, including the forging of a future peace. Helen Morris, Brentwood, Essex.

THANK you, Alan Pavelet, for confirming what I had always feared — when bad things happen, people must take the blame when it's good, God can take the credit. Give me humanism every time. Dr Bryan Leek, London.

We, the youth, will have to live with the nuclear disasters

WE AT the SOAS Students' Union condemn all nuclear testing, especially in the south Asia region. The international community has singularly failed in its duty and responsibility to prevent escalation of the situation. Narrow-minded attitudes and national interest have made our future precarious.

The lives of billions are hanging over the precipice. A large section of our students come from the south Asian region and the threat of a nuclear arms race affects them personally. Any action taken by the British government must be even-handed and balanced. The government should bear in mind the history of the region and sensitivities of the people, as well as the role of successive British governments to the recent history of the sub-continent. The British government should also bear in mind the multicultural make-up of British society when making any decisions.

The international community should learn from this and strengthen its resolve against jack-boot nationalism and use all means necessary to bring about peace. What is needed now is the spirit of 1968.

If the path to war is taken then the scale of devastation across the world will be horrific. We plead with the diplomats and the politicians to remember that when they are in their graves, we, the future, the youth, will be left with their mistakes. All Naqvi, President, Students' Union, School of Oriental and African Studies, University of London.

We do not publish letters where only an e-mail address is supplied; please include a full postal address. We may edit letters; shorter ones are more likely to appear. We regret we cannot acknowledge those not used. The Country Diary is on page 14.

SUDAN CRISIS

Today in Sudan thousands of people are facing starvation — a crisis caused by war and drought. People are dying already.

We urgently need money to provide food, clean water, medical help, and sanitation now. We're also supplying seeds and tools for people to plant crops for the next harvest.

We're pressing for peace as the only long-term solution to the problems in Sudan.

But people need your help now.

With your support we can help prevent widespread famine.

Your gift will save lives.

Disasters Emergency Committee A registered charity
Participating agencies: British Red Cross, CAFOD, CARE International UK, Christian Aid, Concern Worldwide, Help the Aged, MERRUK, MSF, Oxfam, Save the Children, Tearfund, World Vision

Yes, I want to help people suffering in Sudan

I want to give ☐ £250 ☐ £100 ☐ £50 ☐ £25

Other £

☐ I enclose a cheque made payable to Sudan Crisis OR

☐ Please debit my Access/Visa, Switch, Diners Card/CAF

CharityCard/MasterCard (Circle One)

☐ Please tick here if you would like a receipt.

Signature

Title Forename Surname

Address

Postcode

Complete coupon and return to:

Sudan Crisis, PO Box 999, London EC3A 9AA

Donation Line 0990 22 22 33

Corn on the cod

Bel Littlejohn

AS PER IT, a lot of people have been coming up to me in the street, bristling with excitement. "Tell me, Bel," they say, "what exactly is the New Travel Writing?" To which I reply that, like the New Millennium Experience, the New Romantics, the New Avengers, New Age Travelers, the New Christie Min-

strels and New Improved Omo, the New Travel Writing is an exciting new way of doing something just like it's been done for hundreds of years. Okay, there have been travel books, and there have been travel books by women, and there have been travel books by women, for god's sake. But except for a handful of forgotten authors — Mrs Trollope, Dervie Murphy and Lucy Irvine, and, yes, Beryl Markham and Rose Macaulay and Shirley MacLaine, and I suppose we should add Joan Didion and Elspeth Huxley, and then admittedly there's also Jan Morris and Preysa Stark and, okay then, Karen von Blixen and Rebecca West — but apart from them there has never, ever been a woman who managed to combine the two genres of memoir and travel writing; hence the crying need for the word "new". But let's waste no more

time in explanation. Today I print an exclusive extract from my contribution to Amazonian: The Penguin Book of Women's New Travel Writing published yesterday. I Cap'n A Cod recounts the very real perils and hazards that lay in wait for me on my pioneering journey into the very heart of Knightsbridge, up the up-escalator, down the down-escalator, through the Harrods food hall and right up to the fresh fish counter where I found myself staring deep into the quizzical yet somehow strangely unknowing eyes of a dead cod. It juxtaposes the trip with a searingly intimate, at times almost unbearably painful memoir of my tortured childhood. Today's extract describes my trip, by turns hair-raising and calming, on an escalator — and the devastating way in which it triggered me along a terrifying journey into my own past. "Here it comes

again. The escalator. That great snake, weaving its way out of the jungle of commerce. And then back into it again. Escalators going up. Up. Up. Up. And escalators going down. Down. Down. Down. Down. Down. Down. Down. Like life itself, only in straighter lines. I summon up a courage I never knew I had and step, first tentatively, then with great boldness, on to the up escalator. "Standing on that escalator, I am borne ceaselessly back into my own childhood. The time I spit my cornflakes on the kitchen table and my mother forced me to wipe them up with a damp cloth. I have often asked myself why — why? — my mother treated me like that on that grim October morning one day in early June. Was her action a relic of the persecution she felt at the hands of her own mother all those decades ago when she dropped a tea-cup

on the floor and it shattered into a hundred shards (broken broken broken) and was told to clear it all up with a dustpan and brush? "And what of her mother, whose own childhood was irreparably damaged by what she would later refer to only as "the teaspoon incident" — a dark episode when she dropped a teaspoon and her father told her to kneel down and pick it up. These were the dark days, long before the advent of Childline. "Yet my grandmother had suffered, too, at the hands of her grandmother, whose childhood diaries recount the pitiful day she stepped into a puddle, got her shoes wet — and was asked to change them by her governess. Five generations of women. Five generations of journeys into our own tormented pasts. And still the escalator travels upwards, ever upwards. Will it never cease? Abruptly, it

ceases. Ahead of me is haberdashery, to the left of me stationery, to my right, kitchenware, gift-wrapping and children's shoes. Where am I? Who am I? Why am I in this place? And where the hell are the fish? In the same situation, a male traveller would plough on regardless, ever the imperialist. Unlike them, I choose to interact with the natives. They tell me that to find the fish, like T S Eliot before me, I must return to that place from whence I set forth. Yes, there is only one route. And it's down. "Down, down, down, down, down. It's hard to convey in mere words the sensation of riding on a down escalator. But above all, it reminds me of the time I sank into a deep dark hole of depression after my ex-husband with typical lack of regard for anyone but his own little self decided to up and ..."

Now read on.

Alan Milne

Thinker with the humanist touch

IT WAS bad luck that, near to the end of the war in Europe, Alan Milne, the distinguished political philosopher who has died aged 76, lost his sight when a bullet hit him while he was commanding a bridgehead commando in Germany. It was especially bad luck as the bridge had already been seized by the River Aller but had failed to signal him. But it was good luck, Alan would say, that the bullet went exactly sideways through the bridge of his nose taking out both eyes but just missing the brain. So he was mentioned in despatches.

After his training for blindness at St Dunstan's, his academic career began at the London School of Economics. He was one of the many who went into the war in 1939 straight from school without too much thought for anything, he said, besides cricket, rugby and a conviction that war was inevitable and must be prepared for, but he came out with a great seriousness.

Some took to drink and some took to books in the long waiting for D-Day. Milne liked his beer and took to brewing it fearlessly and fearfully, long before the days of kits, which he only grudgingly accepted. But he also liked books. Many of us students at LSE met him through reading to him. Reading philosophy out loud and

slowly was highly educative, especially as his interest in the neo-Hegelian English idealists was already out of fashion by the post-war decade. Reading F H Bradley's metaphysics in *Experience and Its Modes* was at least partial preparation for the coming of Michael Oakeshott.

Milne considered that the Harold Laski he heard lecture and began to work under (a PhD on Bentham and Cole-ridge) had become rhetorical more than thoughtful but he respected greatly the young Laski's critiques of sovereignty, advocacy of political and ethical pluralism and especially his secular, humanist version of T H Green's philosophical idealism — the duty of a state set in a society of public-spirited citizens to advance ethical progress. He regarded Laski's account of Green as a proto-ethical socialist as "going too far" in point of fact, but he plainly sympathised.

Milne's thinking, as it developed in a series of books, beginning with *The Social Philosophy of English Idealism* (1962) and *Freedom and Rights* (1968), seemed at first a rather old-fashioned, Victorian rationalism, inaugurated by figures such as Leslie Stephens, Hobhouse, Graham Wallas, Maurice Ginsberg and Laski, who are no longer taken seriously by modern philosophers of whatever school. But slowly it came to one that all those who

now talk of human rights, especially those chapters of rights drafted by well-meaning but most unphilosophical politicians and bureaucrats, had been making presuppositions that cannot be accounted for in the schools of modern philosophy. These are all, for different reasons, sceptical of such seemingly absolutist or essentialist ideas as human rights.

These presuppositions of ordinary thought about human rights (a term he took from the philosopher and historian R G Collingwood — in whose revival he played a major role) are all set out in his later writings: *The Right to Dissent* (1983), *Human Rights and Human Diversity* (1986) and *The Ethical Frontiers of the State* (1987). These are still against the tide but there are more and more reasons for people to go back to them.

HIS WORK was more recognised in the US than here, as shown by a year as a Commonwealth fellow at the University of California at Berkeley, followed by an invitation to the Institute for Advanced Studies at Princeton University.

He seemed to be very old-English in his stoicism and good humour but looked so very Scots, hardly surprising as the only child of Ewan Milne, a Fraserburgh businessman, and his Irish wife,

Dorothea Lovell. He grew up in Oxford, attending the Dragon School and then Up-pingham, but he came out of the army solid Labour, and remained so.

His private life was remarkable. A wartime marriage bore four children — including twins while he was still in St Dunstan's — but the marriage broke down when he began studying at LSE. He married one of his LSE readers, Anita Littlestone, and three children followed. She died in 1985 and the following year he married Susan Elkin, a close friend of them both from student days.

Old friends were precious to him. Seven close ones, who took finals the same year as he took his first, held a yearly reunion seminar — beer, pipe tobacco and real talk — and when the first of them died, they endowed in 1992 the *Good Society* lecture series at LSE.

His second family grew up in Northern Ireland where he was reader in philosophy at Queen's University, Belfast. A pillar of the local humanists, he was umpire or huffer in some celebrated debates in the early days of the troubles between Catholic and Presbyterian theologians. If he ever used his blindness, it was to make it difficult to refuse invitations from him for what were then daring and unusual secular ecumenical cross-community occasions. He became professor of politics in



Milne... stoic with good humour

seemed more interested to exult in the result of the Irish referendums and to take pleasure to the last in his family. He was kind, questioning, loving and tough, with a developed ability to distinguish between personal, political and philosophical commitments.

Bernard Criel

Alan Milne, political philosopher and teacher, born April 30, 1922; died May 24, 1998

Helena McCarthy

Art of being young at heart

THE ACTRESS Helena McCarthy, who has died of a heart attack aged 89, was not an old person. She had incredible energy and was due to record an episode of the television series *Little White Lies* in the next few days and had a casting interview for a TV commercial on the following day.

Such work had kept her busy in later years. She was the exploding granny in the Tango advertisements and a little old lady handbagging a waiter in a Pepsi commercial, which made her something of a cult figure in Spain. A couple of years ago she filmed a commercial in Morocco in which, dressed in leathers, she rode a Harley-Davidson. Yet she would probably prefer to be remembered for her more classically distinguished roles with the National Theatre and the Royal Shakespeare Company.

Ena, as she preferred to be known to family and friends, was 4ft 10ins tall but never let her size hamper her. Short stature but never in character, she used to say. She didn't approve of feminism, she said, "but I think I am one".

Born Helena Short in St Anne's, Lancashire, she was raised in Surrey. Her father, a tailor, was English while her mother was Irish — and her Irish blood was important to Helena. Her mother was opposed to her acting ambitions and so she was sent to teacher training college but, with summer seasons during the holidays. Her first job, aged

21, was playing a 12-year-old with Croydon repertory at the old Grand Theatre.

This was a time when amateur companies such as the Croydon Histrionics hired professionals to play the leads. She was Tiana in their *A Midsummer Night's Dream* and played summer seasons at Southwold. She met Henry McCarthy doing *Merrill England* at Croydon in 1942 and they married in 1943. He was conscripted into the Metropolitan Police while she taught evacuees in Loughborough. Later, and for many years, they ran the Taverners company staging Shakespeare in Kent pubs around the hopfields.

While bringing up her family, Helena continued to teach speech and drama from her London home for 40 years. She became a jobbing actress again in the early 1960s and her subsequent TV credits are almost a ratings guide — *Casualty*, *The Bill*, *Inspector Morse*, *The Harry Enfield Show*, *Absolutely Fabulous*, *Lovejoy*, *Jonathan Creek*, *Trial and Retribution*, *Heartbeat*. She was also in *The Avengers* with Diana Rigg and *The Old Curiosity Shop* with Michael Dooley.

Her film credits include Michael Winner's remake of *The Wicked Lady*, with Faye Dunaway and John Gielgud. Recent theatre work includes *The Three Sisters* at the Manchester Royal Exchange, Peter Flannery's *Singer*, with Anthony Sher, for the Royal Shakespeare Company and



McCarthy... proving a big presence even with Derek Jacobi

PHOTOGRAPH BY NIAN KYNEL

the Chichester Festival tour of *Hadrian VII* with Derek Jacobi, who once said of her: "What's the point of being on stage with her? Nobody's looking at me".

Helena adored the profession and the company of other actors, and many younger women saw her as a confidante. She continued to work while nursing her husband through illness until he died a few years ago. She leaves two daughters, Maire and Maggie, whom she encouraged to work in the theatre, and six grandchildren.

Robin Thornber

Lynda La Plante writes: The first time Helena McCarthy and I worked together was in a series called *Seekers*: the last time in a recent series, *Trial and Retribution*. I was very concerned that she would not be available as I had been told she was in Morocco and learning to ride a camel. Fortunately for me, Helena was able to juggle her many commitments to accept the role. She gave, as I knew she would, a stunning and very moving performance.

Helena confided in me that she was thinking about telling a little white lie about her age. She was worried that it might lose her work. Only then did I know that this adorable lady, the life and soul of every wrap party and the most dedicated and consummate professional actress I have ever worked with, was in her eighties.

Helena McCarthy, actress, born October 18, 1908; died May 11, 1998

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Helena McCarthy, actress, born October 18, 1908; died May 11, 1998

Birthdays

Colin Amery, architectural writer and historian, 54; Michael Berkeley, composer, 50; Sir Douglas Black, former chief scientist to the Department of Health, 85; Sir Christopher Bland, chairman, BBC, 80; Katie Boyle (*Lady Sings*), broadcaster, 68; Rupert Everett, actor, 39; Eleanor Fazzan, opera and show choreographer, 68; Lt-Gen Sir Martin Garrod, EU administrator of Mostar, 63; Linda Esther Gray, opera singer, 60; Patricia Harris, former central president, Mothers' Union, 59; Sir Trevor Holdsworth, pianist, former chairman, National Power, 71; Boh Hope, comedian, 56; Ukyo Katsuyama, racing driver, 39; Prof Robert Knox, bacteriologist, 53; Alan Langlands, chief executive, NHS, 48; Sir James Margorbank, chairman, Scotland in Europe, 87; Nanette Newman, actress and writer, 58; Martin Pipe, racehorse trainer, 53; Francis Rossi, Status Quo rock singer and guitarist, 49; Alvin Schockenmole, showjumper, 62; Doug Scott, mountaineer, 57; Carl Toms, stage designer, 71; Prof Louis Wain, agricultural scientist, 87; Ianis Xenakis, composer, architect and engineer, 76.

Letter

Colin Livett writes: The obituary of Patrick Wall (May 20) underestimated his devotion to the South African apartheid regime. In the 1964 general election Sir Patrick declared that "one of the main issues at the election is the safeguarding of White Christian Civilisation south of the Zambezi". He did not say, as these "Christian soldiers" the military means to defend this "civilisation", being a fierce opponent of banning arms sales to South Africa.

Death Notices

ROSEMARY, suddenly on 28 May 1998, a rare and remarkable mother, a wife and a devoted mother, who touched many lives. Deeply loved, she is survived by her husband, Milton Arthur, at Cromwell Green, 40, and by her daughter, June, at 30, and by her son, David, at 15, all of whom she was very proud. Burial on Friday June 5th, 10.15 am, at St Paul's Church, Loughborough. Donations to the British Heart Foundation may be sent to St Paul's Church, Loughborough, Leicestershire, LE11 1TF.

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VERONICA HEATH

CORRECTIONS AND CLARIFICATIONS

IN OUR Page 1 report, Japanese to challenge ex-PoWs, May 26, we said "The Japanese counter-offensive is being co-ordinated by the Japanese Chamber of Commerce and Industry and the Japan Society..." We have already carried a letter from the Chamber, dissociating itself from any such thing. The Japan Society, similarly,

merits and industry and the Japan Society... We have already carried a letter from the Chamber, dissociating itself from any such thing. The Japan Society, similarly,

wishes it to be made clear that it has not been involved in any activities designed to counteract demonstrations by British former prisoners of the Japanese. We have never had any evidence to support the statement we made and therefore apologise to both organisations.

IN OUR television review, G2, Page 19, May 19, of *Secret History: The Porn King, the Stripper and the Bent Coppers*, which was broadcast on Monday May 18, we suggested that no police officers were jailed as a result of the anti-

corruption investigation. In fact, as we had reported in an article about the programme published in the Guardian on May 12, 12 detectives were jailed.

IN AN accompanying note to a report on the Policy and Politics page, Page 13, May 27, we said that Asperger's syndrome, a form of autism, did not affect women. One in 10 suffers is female.

IN A REPORT headed *Magistrate faces sack in disability claim row*, Page 8, May 26, we referred to "a car financed by the Government's Motability scheme". Motability, although it does get some fund-

ing from the Government, is a charity, set up on the initiative of the Government in 1977, with all-party support.

THE COUNTRY Diary which appeared on Page 22 yesterday, was a repeat of one that had been used earlier. Sorry.

It is the policy of the Guardian to correct errors as soon as possible. Readers may contact the office of the Readers' Editor by telephoning 0171 239 9589 between 11am and 5pm. Monday to Friday. Surface mail to: Readers' Editor, The Guardian, 119, Farringdon Road, London EC1R 3ER. Fax: 0171 239 9897. E-mail: reader@guardian.co.uk

A Country Diary

NORTHUMBERLAND: This week the Northumberland Wildlife Trust held its AGM at Otterburn, by invitation of the Ministry of Defence, which since 1911 has managed 58,000 acres of this upland area of our county. The range officer and land agent explained to us how farming, forestry, constructive wildlife and public access are managed on this estate, whose primary purpose is safe military training. During the lambing period, mid-April to mid-May, mili-

tary manoeuvres and firing are suspended. Local contractors are brought in whenever possible for heavy work, so the local economy benefits, and the army personnel have good relations with the local community. Last year a nest of peregrine falcons and two broods of merlins were plus-

ted by the army personnel have good relations with the local community. Last year a nest of peregrine falcons and two broods of merlins were plus-

Sam Cummings

Have guns, will travel

SAM Cummings, who has died aged 71, was the world's highest dealer in small arms. His company, Interarms, sold weapons to the Dominican Republic, Cuba, India, Pakistan, the Philippines and many other countries. The company operated with the strict maxim that the law of both the selling country and the purchasing country must be obeyed. No doubt exists that this was often facilitated by the US government as an act of foreign policy: it was better the surplus weapons were handled by someone it could trust and shipped only to "friendly" countries. At one time the company held the largest stocks of small arms in the world, more than enough to equip a small army.

Cummings was born in Philadelphia, USA. His father, of Irish immigrant stock, suffered badly in the Wall Street crash and died when Sam was only eight. The family moved to Washington and with the US's entry into the second world war, Sam was drafted. He finished up as a sergeant and weapon instructor at Camp Lee, Virginia.

Taking advantage of the GI Bill, he went to George Washington University and spent a term at Oxford. This allowed him to travel around Europe, where he saw vast amounts of war surplus weapons. He was taken on by the fledgling CIA as a weapons expert and during the Korean war travelled extensively viewing weapons.

At this point fact and fantasy become inextricably intertwined. He was reputed to be the agency's most cunning arms dealer, pretending to be a Hollywood producer wanted to buy guns as props, he bought \$100 million worth of German arms and shipped them to Chinese Nationalists in Taiwan. When I went to a military show in the US, one of Cummings's close friends told me that Cummings had left the CIA and with a guaranteed bank loan had purchased the CIA's surplus stock of small arms (for the government had instructed the CIA to get out of the weapon sales game). Others said that, fortuitously a year after his departure in 1953, a CIA-backed coup in Guatemala led to Cummings being given the arms contract for the new government.

The formation of the International Arms Corporation in 1953 was the start of the Interarms group of companies. Among the better known are Hunter's Lodge in the US and Churchill, Whitworth Rifle Company, Cogswell and Harrison in the UK. Some of these no longer exist, but Interarms in Manchester remains, and was for a long time the main outlet for the Cummings empire. He did not discourage speculation about his links to the CIA, calling one of his compa-

nies Cummings Investment Associates. A visit to Hunter's Lodge was, for the gun enthusiast, like being let loose in Aladdin's cave. Everywhere there were racks of rare samples of every sort of small arm.

Cummings was so successful in the US that the Gun Control Act banning the import of weapons, was introduced in 1968. It was strongly supported by the gun trade, which believed that imports restricted home-manufactured weapons sales. Not true, said Cummings: "I sell to those with a little money and those with a little money and they trade up to the higher priced home manufactured products." Nonetheless he made a fortune by stockpiling 700,000 weapons at his warehouse on the Potomac River in Virginia before the act was passed.

Friends and employees are unanimous in praise of Cummings. His reputation of being careful with his money was, according to employees, one more story that is more fiction than fact. He was a good family man. He moved to Europe, took British citizenship and, with his wife Irma and twin daughters, had houses in the Swiss Alps and Monaco.

He leaves Irma and his daughters.

Sandy Cornack

Samuel Cummings, arms dealer and businessman, born February 7, 1927; died April 29, 1998



Cummings... cunning way with arms deals

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C&W nets US deal to join the wired world's leaders

Chris Barrie, Media Business Correspondent

TELECOMS group Cable & Wireless yesterday signalled its intention of becoming one of the world's most powerful internet players when it announced plans to buy part of MCI for \$250 million (\$384 million).

The deal, which could clear the way for regulators to approve MCI's \$37 billion merger with WorldCom, was struck after 18 days of intensive talks.

Coupled with C&W's intention to spend another \$600 million over five years on its US broadband network, the move catapults the firm into the top five internet players in the US, the world's largest wired market.

Indeed, Richard Brown, C&W chief executive, said the deal lifted the group's US business to a new level which would have taken years and huge investment to build organically.

The company has been the "fortunate beneficiary" of regulatory concerns over MCI's merger with WorldCom. C&W won the deal, which is subject to WorldCom and MCI merging — by acting quickly and reassuring the authorities about its capability and intentions.

US and European regulators had been concerned about the dominance that MCI and WorldCom would exert over the Internet. As a result, C&W executives held secret talks with regulators to clarify their position.

The European Commission said it was still investigating the details of the sale to check whether all the necessary assets were being sold by MCI, but a spokesman added that the transaction was "in the right direction".

MCI chairman Bert Roberts said the sale "eliminated any overlap with WorldCom's Internet business" and "addresses anti-trust concerns".

Even so, rival GTE has said it intends to oppose the merger in the courts.

C&W will rank alongside WorldCom, Sprint, GTE and PSI Net. These groups have an agreement under which they provide free interconnectivity to each other, an offer not extended to smaller companies.

MCI is being paid cash for the business, which has assets of \$100 million and turnover projected at \$220 million for the year to this December. The business is understood to make a small profit with an annual growth rate of 50 per cent.

Technically, C&W is buying MCI's backbone service

business, including 22 domestic nodes, 15,000 interconnection ports and 40 peering agreements. But, in essence, the success of the deal will depend on C&W keeping MCI's 1,300 Internet customers across 75 countries.

C&W will switch the data traffic arising from the deal to its own network after three years. Mr Brown said C&W business was split 80-20 today between voice and data. Within three years, that split would be 60-40 due to the huge growth in Internet traffic. The company intends to use its new capability to woo business clients away from traditional phone companies.

C&W already leads the market for Internet services in Hong Kong, but the transaction represents a step change for its US business. Its \$1 billion call and data revenues are small by comparison with growth potential of data services via the Internet.

● The Financial Services Authority has issued guidelines to foreign firms advertising investments on the Internet. The move follows concern that some advertisements on company Web sites may infringe UK regulations.

Investors should also be aware that they would not receive compensation if they invested with unauthorised companies.



LONDON International Group, the world's largest manufacturer of branded condoms, is rolling out Durex as a global brand to boost its market share, writes Tony May. The company sells six brands in the United States but plans to use only the Durex name from now on in an attempt to overtake its larger rival in the American market, Carter-Wallace Inc.

Chief executive Nick Hodges (above, left), with finance director David Davies, said the next two years would be directed at rationalising packaging on a worldwide basis to simplify marketing and advertising. He expects to continue to grow market share through selective acquisitions and launching new shapes, flavours and colours of condoms.

Mr Hodges was speaking after unveiling a 2.4 per cent dip in profits to \$22.5 million for the year to the end of March after exceptional costs. He said falls in the cost of manufacturing in the Asia Pacific region because of economic turmoil had largely neutralised sterling's adverse impact on overseas earnings — the group makes 90 per cent of its sales overseas.

Spending on the launch of the polyurethane Ava condom is likely to peak this year. The product, which retails at three times the price of latex condoms, has taken 4 per cent of the UK market in volume terms and 11 per cent in terms of value within two years, says the company. The new product is said to be more sensitive and stronger.

PHOTOGRAPH: TONY ANDREWS

Intel made latest target in US monopoly game

Mark Tran in New York

THE US government's battle against the monopoly power of technology companies gained pace yesterday with news that it was on the verge of legal action against chip maker Intel.

Fresh from starting their lawsuit against Microsoft, government lawyers are now recommending action against Intel.

The officials at the Federal Trade Commission have concluded that Intel, maker of the ubiquitous Pentium chip, has abused its monopoly power in the microprocessor market and will pass on their recommendation for legal action next week.

The commissioners are expected to proceed with the lawsuit a week or 10 days later.

Based in Santa Clara, California, Intel reigns over the chip market in the same way that Microsoft rules over operating systems. Intel chips power nine out of 10 of the world's PCs.

Intel has been investigated by the government twice before. In 1991 and 1994, it escaped anti-monopoly action.

In recent months, government lawyers have become more aggressive. The Justice Department and the FTC have overlapping authority on anti-monopoly issues and divide cases between them.

Since the Justice Depart-



A Federal Trade Commission action would accuse the firm of illegally retaliating against companies after legal disputes

ment has its hands full with Microsoft, it fell to the FTC to tackle Intel.

Both cases boil down to the charge that the two companies have abused their monopoly power.

In Microsoft's case, the software producer is accused of exploiting its muscle in operating systems to try to crush Netscape Communications in the Internet-browser market.

With Intel, an FTC lawsuit would accuse the company of illegally retaliating against companies after getting into legal disputes with them. In one case, Intel is charged with

threatening to stop supplying chips to Digital after the company took Intel to court for allegedly infringing Digital patents in the design of Pentium chips.

The FTC will accuse Intel of engaging in similar behaviour with three other companies.

The FTC may file even more charges against Intel, accusing the company of using predatory pricing and contract provisions to strengthen its stranglehold on the chip market and to squeeze its few competitors out of the market. Similar allegations were levelled at Microsoft.

An FTC lawsuit would come at a difficult time for Intel, which is suffering from the effects of the Asian economic crisis and a drop in demand for PCs.

Revenues fell 7 per cent in the first quarter of 1998 after being flat in the previous first quarter. The competition is also heating up from companies such as Advanced Micro Devices and National Semiconductor.

On top of all that, Intel is in the midst of a leadership change. Craig Barrett, last week took over from Andy Grove, one of Intel's co-founders, and the man who took Intel to the pinnacle of the chip industry.

Intel maintains that it has behaved legally and continues to do so. Now it looks as if it will have to prove that in court.

Exchange to rewire electronic trading

Seven months after launch, bug-ridden share dealing system faces radical surgery. Lisa Buckingham reports

THE Stock Exchange agreed yesterday to extensive revisions of its electronic order book, only seven months after the controversial automated share-dealing service was introduced.

The changes are an attempt to address the most frequent and serious complaints about the Sets system, which was manipulated spectacularly earlier this year by two traders at JP Morgan and is regarded by critics as seriously flawed.

Scepticism about the effectiveness, cost and liquidity of electronic dealing means that less than a third of the value of all trades in FTSE 100 companies takes place on the Sets system, which had to be revised even before its launch. The rest are handled by market-makers, who are now relieved of the obligation to quote firm two-way prices to anyone wanting to deal at any time.

The Stock Exchange said most feedback indicated that users thought Sets — which was launched by the Chancellor, Gordon Brown, on a wave of sell orders last October — was technically robust but most wanted more liquidity in the system. They also wanted more consistent price information. One of the most frequent criticisms of Sets has been wayward prices. Although the exchange,

which had tried to promote Sets as "Big Bang Two", backed away from some of the more radical solutions that were proposed, the authority admitted that tinkering with Sets would not bring about sufficient improvement. A "more fundamental change in the dealing strategies operated by investing institutions and their intermediaries" was required.

A four-phase programme to improve Sets was announced yesterday. The first tranche — removing minimum order sizes and increasing maximum trades — will be introduced in just over a week. This should allow more small

investors to use Sets. The minimum order at present is estimated to be \$4,000.

In July, the exchange will, as expected, align the close of Sets' trading day with that of the Liffe futures market, and will delay the opening until 9 am in an effort to minimise market manipulation. Such manipulation is more easily accomplished before institutional investors arrive at their desks and start dealing.

The discrepancies over closing prices will also be addressed by the introduction in December of volume-weighted average prices, and the exchange will look into alternatives to the 20 per cent price-movement rule for suspending shares.

The authorities have ruled out the introduction of a central system to guarantee trades, which had been suggested as a way to improve

Spreading malaise

ERRATIC spreads — the gap between the bid and offer share price — are at the heart of the Sets problem. Under the old trading system, the price would be the middle of the spread but under Sets it is at either end.

Seeing a "middle" share price of 925p in the morning newspaper, an investor orders some shares. But the spread has widened to 900p for sellers and 1,050p for buyers. The shares are sold at 1,050p. Later the spread narrows to a more normal 920p-930p, allowing others to buy the stock at a £1 profit.

confidence, although this will be kept under review, as will the extension of Sets beyond the FTSE 100 to shares in the 250 largest companies.

● The Takeover Panel plans a further overhaul of its rules to eliminate the possibility that control of a company gradually falls to a shareholder without a full bid having to be made.

Removal of the "creeping provision" is one of a series of reforms being implemented by Alastair Defries, director-general of the panel. It follows controversy over the bid for Asite by Emerson Electric, which had built a substantial stake by adding 1 per cent a year to its holding. That has allowed some companies to build shareholdings of more than 30 per cent even though that is the level at which a takeover bid is normally triggered.

Unigate makes £1.6bn overture for Hillsdown

Tony May

UNIGATE is expected to win control of Hillsdown Holdings, a food, housebuilding and furniture conglomerate, after indicating that it is prepared to make a bid worth £1.6 billion.

As Hillsdown's board met to discuss the approach yesterday, analysts said Britain's second-largest milk processor had offered a "very full price" of 217p.

This was likely to succeed because it was 4.8 per cent higher than its first approach of 207p, a 17 per cent premium to Hillsdown's May 15 closing price and above the 210p at which many investors came into Hillsdown through a rights issue in 1991.

Observers said the boards were unlikely to rush their talks and one stumbling block could be whether the offer was all cash or a mixture of shares and cash.

Sir John Ntnt, Hillsdown's chairman, has a duty to push for higher prices in return for his board's recommendation, while Sir Ross Buckland, Unigate's chief executive, can emphasise that this is an approach, not a firm offer.

Unigate's shares fell 2 per cent — wiping £32 million

off its market value — on fears that it was overpaying. "It's a very full price," said Sally Jones, a City analyst at Jefferies & Co. Securities. "It's a very high-risk move if you only want part of the business. Unigate may have bitten off as much as they can chew, if not more."

The deal is important to both sides. Hillsdown has been under pressure to deliver value to shareholders and earlier this month Sir John announced a demerger plan which analysts said could return up to 200p a share to investors.

It would have spun off the chilled-foods business and Fairview housebuilding operations; sold the furniture business and left the board to focus on its canning, preserves, hot beverages such as Typhoo tea, Cadbury biscuits and Chivers Hartley jams. Unigate wants to lessen its dependence on milk production, which is under pressure from falling prices, cheap imports and declining demand for doorstep deliveries.

It wants the grocery and poultry businesses. Buyers are understood to be ready to pay £250 million for the furniture business and a similar sum is expected for Fairview, whoever is the seller.

News in brief

Lenders warned of fixed-rate pitfall

LENDERS were warned yesterday that offering fixed-rate mortgages could leave them open to accusations of mis-selling. Geoffrey Fitchew, chairman of the Building Societies Commission, said there was a risk that some borrowers locking themselves into longer-term fixed rates might accuse lenders of mortgage mis-selling if interest rates fell sharply.

He told the Building Societies Association annual conference in Bournemouth: "Borrowers appear to be attracted to fixed rates... at a time when interest rates may already be approaching a cyclical peak. So there is a risk that some borrowers on longer-term fixed rates may feel aggrieved in a few years' time if interest rates fall."

Adrian Coles, director-general of the BSA, said lenders must make it "absolutely crystal clear" to customers that they did not benefit if rates fell. — *Rupert Jones*

Dawson plight worsens

DAWSON International, the Scotland-based Pringle knitwear group, said trading had worsened since its profits warning a month ago. Dawson shares fell 15 per cent to 47½p after the company said it now expects only a modest profit for 1998, against the £13.8 million a year earlier.

It said its UK order book had worsened because of the Asian economic downturn and strength of sterling, and production would have to be cut. Its US operations also suffered after discount retailers returned its thermal underwear in unprecedented numbers following an unusually mild winter. — *Tony May*

Home income case settled

THE three-month court case between the West Bromwich building society and the Investors' Compensation Scheme over home income plans reached an out-of-court settlement yesterday. The ICS was rumoured to be seeking about £15 million from the West Brom. The case stemmed from the mis-selling of home income plans by IFA Fisher Frew-Smith, a firm which went into liquidation in 1991. The ICS contended that the West Brom knew the plans were unsound. — *Simon Read*

House sales slow

HOUSE sales were disappointing last month, according to the Nationwide monthly house price index, with transactions in the first four months of the year down more than 5 per cent on last year. — *Liz Sauri*

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Finance Guardian

£2bn health warning for insurers

Pauline Springett

THE Office of Fair Trading yesterday threatened private health insurers with tough regulation after lambasting them for confusing consumers with the complexity of their policies.

The warning came after the industry's "dismal" failure to improve its performance in the wake of a critical report from the OFT last year.

John Bridgeman, Director-General of Fair Trading, said that innovation within the sector had resulted in more complex policies.

While these may have given the appearance of fierce competition, they had done little to improve the lot of consumers.

Mr Bridgeman claimed that customers were paying more than necessary to insure themselves and that sometimes they were sold inappropriate policies.

He added that the Association of British Insurers, which represents the industry, was not well placed to draw up standards to help consumers make comparisons.

If the industry fails to produce a code of conduct by September 30, Mr Bridgeman plans to call for stronger regulation by the new super-regulator, the Financial Services Authority.

What you should be offered

The OFT say standard health-care policies should clearly state common benefits and terms, including:

Typical Private Medical Benefits
In-patient and day-patient care; treatment at a selected hospital — 100 per cent; treatment in NHS pay-bed — 100 per cent; hospital accommodation for parent accompanying an insured child under age 9 — 100 per cent if sharing room; radiotherapy & chemotherapy — 100 per cent.

He said: "The response of the £2 billion industry to recommendations in my 1996 report was dismal. Most of

the recommendations sought the industry's involvement in improving self-regulation but the response, on the whole,

Permanent Health Insurance
Purpose: to provide an income in the event of accident or sickness resulting in incapacity, subject to conditions such as the policy's termination age.

Critical Illness Insurance
Purpose: to provide benefits in the event of accident or sickness which results in the assured having a specific critical illness, subject to conditions such as: no income replacement payable if the critical illness arises in the three months after pregnancy or childbirth.

was negative. Disappointingly, no convincing alternatives were proposed. Health insurers have not shown

much concern for improving the information, choice and service to their consumers."

The 1996 report also called

for insurers to abandon the sale of so-called moratorium insurance. This insurance gives cover without insisting on a medical examination, but it prevents claims to for treating pre-existing medical conditions for a period, usually two years.

Mr Bridgeman softened his stance on moratorium insurance yesterday. He no longer demanded a total ban but made it clear he was still very unhappy. He is calling for insurers to improve the information they provide to customers buying moratorium insurance so as to make it clear exactly what people can claim for and when.

The ABI welcomed the change of heart, but Mark Bo-

least, the association's director-general, questioned the main thrust of the report.

"There seems little evidence of consumer research in the report to back up some of the recommendations which are fundamental to the industry," he said.

Bupa, Britain's largest health-care insurer, with 40 per cent of the market, said: "We disagree with the OFT's assertion that health insurers have shown no concern for improving information, choice and service to customers."

Private health-care insurance is highly lucrative and growing rapidly as people seek an alternative to the National Health Service.

Rising wages fuel stagflation fears

Mark Atkinson
Economics Correspondent

FEARS of stagflation — a combination of sluggish economic growth and rising inflation — intensified today as a business survey showed pressures in industry were still rising while exports plummeted.

Pay settlements in engineering averaged 3.7 per cent in the three months to the end of April, up from 3.5 per cent in the three months to the end

of March, according to the Engineering Employers' Federation. It blamed skills shortages, falling unemployment and rising inflation.

The data followed a warning on Wednesday by Bank of England Deputy Governor Mervyn King that "stubbornly buoyant" consumption and high wage deals may require a further rise in interest rates if the Government's inflation target is to be met.

A separate survey published yesterday by the Confederation of British Industry showed export orders at the

lowest level for 15 years, due to the strength of the pound.

Sudhir Jansankar, the CBI's associate director of economic analysis, said: "The strong pound is still hitting exporters hard, even though it has fallen from its recent high against the German mark. Domestic orders have held up, but this has not been enough to offset the fall in exports."

The pound closed last night in London at \$1.6317, up from \$1.6302.

The CBI said order books fell in May at their fastest rate

for two years, with a balance of 17 per cent of manufacturers reporting business below rather than above normal.

Kate Barker, the CBI's chief economic adviser, said hefty wage settlements in industry reflected the relative strength of certain high value-added sectors, including engineering and one-off factors, such as the shortage of IT staff to reprogramme computers ahead of the millennium and the introduction of the euro.

There were also measurement problems in the chemical sector which suggested

recent figures showing almost 5 per cent growth in whole economy average earnings — above the 4.5 per cent level which the Bank regards as compatible with its 2.5 per cent inflation target — could be revised downwards.

The CBI said it expected wage pressures to abate as the economy slowed during the course of the year, prompting a cut in interest rates to 7 per cent from 7.25 per cent by December and further reductions to 6.25 per cent next year.

Its best guess was that the economy was on course for a soft landing, with growth decelerating to 1.5 per cent by the end of the year before picking up during 1999, and unemployment continuing on a downward trend.

However, it predicted the loss of 100,000 jobs in manufacturing between now and the end of next year.

Most of these would be in the commodity-based manufacturing sectors, such as textiles, where profit margins had been squeezed dry by the strong pound, Ms Barker said.

Jobs cut after Centre Point buy-out

Larry Elliott
Economics Editor

THE Confederation of British Industry has been forced to shed nearly a third of its staff to cut a deficit which has ballooned to £7 million.

The cash drain has been caused by the organisation buying itself out of a 45-year lease at London's landmark office block Centre Point.

Ever since arriving to front the CBI three years ago, director-general Adair Turner was intent on ridding it of what property analysts consider one of the least impressive pieces of business conducted over the past 20 years.

Centre Point was built by the property speculator Harry Ryans in the late 1950s but left unoccupied until the CBI became its first major tenant in 1979. The CBI committed itself to occupying 13 floors of Centre Point — some of which was sub-let — until 2004. Considered a good deal at a time of high inflation, it became increasingly burdensome as the years passed.

Mr Turner decided the best option would be to take over refurbished offices on the bottom two floors.

As a good CBI member, Centre Point owner MEPC was prepared to enter negotiations but as good business people, they wanted to see the colour of Mr Turner's money.

To pay for the deal, 70 of the 300 jobs have gone and 70 member companies agreed to advance half their subscriptions up until 2003.

Efficiency savings will help bring the deficit down to £6 million next year, and still lower by the time Mr Turner's five-year term of office expires in 2000.



Sir Clive Thompson of Rentokil... strong views on pest control

Thatcherite views infuriate CBI

Keith Harper

CBI leaders were seething with anger last night after new president Sir Clive Thompson embarrassed the employers' organisation by delivering a Thatcherite speech at a meeting with the Prime Minister.

After speeches from Mr Blair, in which he dwelt on his familiar theme of working together, and an

equally pro-Government response from the CBI's current chairman, Sir Colin Marshall, several captains of industry expressed concern that Sir Clive, Rentokil's chief executive, had appeared to undo the good work.

Sir Clive, who takes over in July, was supposed to offer a short, light contribution, but he weighed in heavily with remarks about the rights of the individual which took some

listeners back 10 years. In one section he used the expression "pest control" in what his audience took to be a reference to the unions and a warning that the national minimum wage was not a good idea.

John Monks, the TUC's general secretary, sitting on the top table with the CBI director-general, Adair Turner, was noticeably dismayed.

One senior industry leader said yesterday:

"This was not the kind of thing we expected. It cast a pall over the evening."

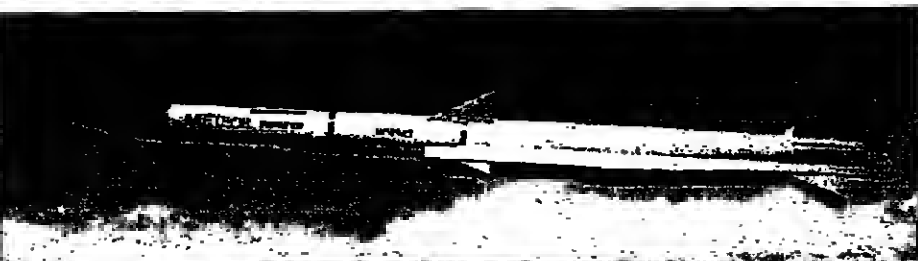
"Sir Clive might have thought he was trying to be amusing, but it did not come out like that at all."

Another said: "The Prime Minister must have wondered what was going on. Sir Clive's views certainly did not represent the way that the CBI is thinking. What on earth made him speak like that? It did not win him any friends."

A CBI spokesman said that Sir Clive's speech on Wednesday night had been an "off-the-cuff affair."

It had not been subject to pre-clearance and its contents had therefore not been known about in advance.

The spokesman said: "Sir Clive has been attending all the major committees of the CBI, and has never spoken out against our general policy line. He was not being very serious."



The Meteor missile, which is being offered to the Ministry of Defence by a European consortium competing against US firms which dominate the sector

Rivals join up for £900m missile bid

David Gow
Industrial Editor

SIX European defence manufacturers, including arch rivals British Aerospace and GEC, yesterday launched a unique bid for multi-billion-pound contracts to supply "invisible" smart missiles for a new generation of fighter aircraft.

It is the first time the six — including Germany's Dasa, It-

aly's Alenia, Spain's Casa and Sweden's Saab — have joined together. The move could prove a catalyst for further consolidation of the European aerospace and defence industry in opposition to the American firms which dominate the sector.

It is also the first time since 1983 that BAe, through its Anglo-French missiles arm, Matra BAe Dynamics, and GEC, through its Marconi unit, have made a joint bid for

a British defence contract. This initial contract, supplying the Ministry of Defence with "beyond-visual-range air-to-air missiles", will be worth £900 million. The Meteor missiles are for the 232 Eurofighters ordered by the MoD.

The contract is due to be awarded early next year. The consortium hopes the German, Italian and Spanish governments will also order their missile for their 388

Eurofighters and that the Swedes will fit it to the JAS 39 Gripen fighter built by Saab. These contracts would create thousands of jobs across Europe.

However, Aerospatiale, the French state-owned firm, is backing the rival bid led by Hughes Raytheon of the US and based on the AIM-120 missile. Some 8,000 of these have already been produced, mainly for the F-15 and F-16 fighters.

Raytheon said its "lowest cost, lowest risk" proposal would also bring final assembly work to Short Brothers' Belfast plant.

The Meteor partners said it was inconceivable that Britain would decide against the European consortium when the government is promoting the creation of a single European defence company.

"It is not the case that if we win this contract, we will suddenly become one company, but it will assist consolidation," said Roger Hawksworth, Matra BAe Dynamics deputy chief executive. "It will be a significant catalyst for that."

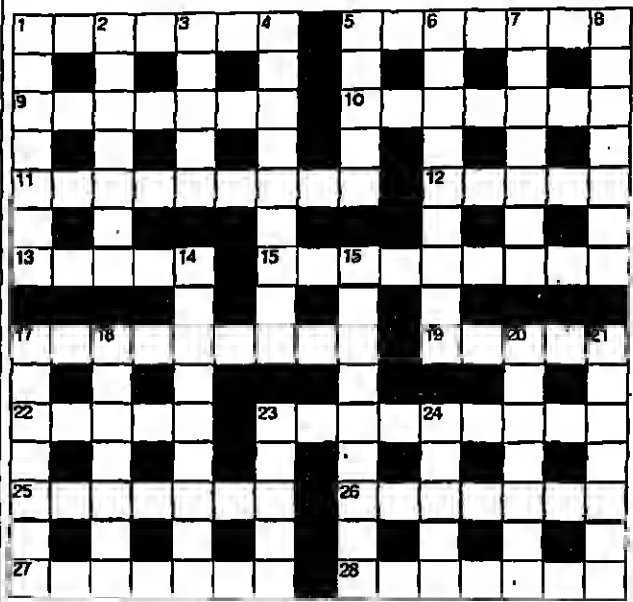
Peter Richardson, Meteor project manager, added: "Key contracts like this come up once in a lifetime and winning them inside Europe is the key to keeping capabilities and technologies and critical mass going in the European defence industry."

TOURIST RATES — BANK BELLS			
Australia 2.56	Germany 2.8333	Malaysia 6.269	Singapore 2.66
Austria 19.50	Greece 491.22	Malta 0.82	South Africa 8.18
Belgium 58.34	Hong Kong 12.29	Netherlands 3.1767	Spain 238.97
Canada 2.317	India 67.41	New Zealand 2.97	Sweden 12.52
Cyprus 0.83	Ireland 1.1228	Norway 12.04	Switzerland 2.34
Denmark 10.83	Israel 5.938	Portugal 269.74	Turkey 302.200
Finland 8.679	Italy 2.009	Saudi Arabia 6.02	USA 1.9974
France 9.47			

Supplied by NatWest (excluding rupee, shatel and dollar)

Guardian Crossword No 21,287

Set by Crispa



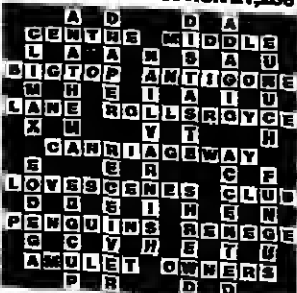
Across

- A fish photographer (7)
- Rant and blow up a high-minded individual (7)
- Farmers giving military personnel spare produce (7)
- Delayed accepting further small-size clothing (7)
- Always wanting a good (9)
- He composed the final letter in the series (5)
- In the main one thoroughly enjoys such music (5)
- Sum granted to construct ocean wall (9)
- The cleaner coloured admitting the French quack (9)
- Gas with a painter fellow (5)
- Possibly alter this — but not yet (5)
- The boor imbibing a drop got aggressive (6,3)
- A man producing impressive results (7)
- An old city — though it may be part new (7)
- Love poetry written by egghead bores (7)
- Passed a note with drinks to a journalist (7)

Down

- Doctor keeping issue out of press (7)
- Leave a musical group with no backing (7)
- The City's into food and scrap (5)
- Stand out against insect repellent (9)

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